

THE MUSLIM WORLD AND THE FUTURE ECONOMIC ORDER



Islamic Council of Europe

المجلس الإسلامي الأوربي

Islam is not merely a religion. It is both a faith and a way of life encompassing all fundamental aspects of individual and institutional conduct. In Islam, the human person is the vicegerent of God on this earth. This makes man a *Homo Islamicus* rather than an economic man. Before he is either an owner, entrepreneur, consumer or factor of production, he is a trustee for all things under his charge. Economic performance is determined not just on the basis of an ephemeral profit and loss account: it is also subject to Divine audit.

Islam discards the social value of money. Money is not allowed to grow by itself — through interest. Wealth not in use is subject to a two and a half percent annual *zakat*. Islam draws a fine balance between production, distribution and consumption and thus achieves that otherwise impossible economic goal: growth without inflation.

This Islamic world view has, therefore, very profound conceptual and practical implications for world economic order. With a view, therefore, to spelling out in clear terms Islam's approach to contemporary economic and monetary issues, the Islamic Council of Europe convened an International Economic Conference in London from 4th to 9th July, 1977 under the theme 'The Muslim World and the Future Economic Order'.

The Conference was attended by a select group of Muslim Economists, Scholars and Statesmen as well as top officials of premier economic institutions who deliberated on this theme in twelve working sessions.

The Secretary General of the Islamic Council of Europe, in his concluding address to the Conference, said:

This Conference has focused the attention of the Muslims and non-Muslims alike on the fact that the International Economic

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ISLAMIC COUNCIL OF EUROPE
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Foreword

Salem Azzam

Periods of crisis often blossom into periods of creative thinking. There is much evidence to suggest that we are indeed in the midst of such a period of crisis and creativity. Momentous changes are taking place in almost all parts of the world. Old institutions are disintegrating while new ones are struggling to emerge. There is an eager search for alternatives. The vision of a future built on foundations different from the ones on which the present edifice stands is becoming more and more inviting.

The emergence of almost fifty independent Muslim states, having a population of about 600 million, about two-thirds of the 900 million strong Islamic *Ummah*, is one of the historic developments of our times. A gradual shift in the balance of economic power in favour of the Muslim world is another development which has aroused great interest in the future role of the Muslim world in the making of a new world economic order.

Muslim states and peoples are steadily strengthening the bonds of unity and are developing institutions to fortify it. The Islamic Summit, the Organisation of the Islamic Conference of Foreign Ministers, and the Islamic Development Bank are some of the important milestones on the road to Islamic solidarity.

The Islamic Council of Europe is trying to bring about greater unity and effective cooperation amongst the Islamic communities in Europe. Along with these institutional developments, there are other significant currents on the intellectual, social and religious levels contributing towards Islamic revival.

The direction towards which all these developments point is that the Muslims are eager to rebuild their house on the basis of Islam, the guidance provided by the Qur'an and *Sunnah*, and acquire for themselves a position in the community of nations in keeping with their ideological distinctiveness and politico-economic position. As such, the Muslim world is deeply concerned with the present predicament of the North-South Dialogue in its search for a New International Economic Order.

The Muslim world has suffered and continues to suffer from the

injustices of the world economic system. It also shares with the rest of humanity the agonies and frustrations of the Third World dialogue with the industrialised world. The cost that the poor of the world are paying is enormous. There seems to be no end to their suffering. The insensitivity of the West to the inequities of the situation only adds insult to injury. Mounting tensions within the United Nations and outside it, and the manifest difficulties of the North-South Dialogue are symptoms of a turbulent and potentially explosive situation.

In this context, the Muslim world is naturally becoming a focus of world attention. Its geo-political importance and its expanding economic worth are not the only reasons for this interest. Muslims are being closely observed for any influence they might exert as a result of their religious and cultural heritage. Indeed, the uniqueness of the Muslim world lies in its religious, cultural and ideological richness. It can bring to bear on the problems facing mankind a fresh approach based on its ideals of justice and human brotherhood, ideas which are vital to the realisation of an equitable world order.

The Islamic Council of Europe has been eager to bring into sharp focus this ideological dimension. It organised an International Economic Conference in London at the Commonwealth Institute during 4-9 July, 1977. The theme of the Conference was "The Muslim World and the Future Economic Order".

The Conference stemmed from an awareness of the critical nature of the present relationship between the developed and the developing countries of the world. Its main aim was to identify the role of the Muslim world in resolving the tensions arising from the present inequitable and oppressive arrangement and in promoting a world order based on the Islamic principles of equality, justice and moderation. It tried to examine the politico-economic problems of the contemporary world from the perspective of Islam and its universal message.

Among the ninety-one delegates who attended the Conference were prominent scholars, statesmen, planners and national and international civil servants. Many institutions from various parts of the world concerned with economic affairs were also represented.

Fifteen papers were presented on different aspects of the theme. The papers were supplemented by comments given by twenty-two discussants. A Communique of the Conference was approved in the concluding session summarising the major ideas, insights and concerns presented during the Conference.

It is hoped that the proceedings of the Conference presented herewith will be useful in awakening the need for a just and humane world order. It is hoped that they will form the basis for continued and informed discussion and eventually, in so far as they put forward positive proposals,

influence the policy-making and development planning processes in the Muslim world and beyond.

Several of the proposals emanating from the Conference, we believe, merit urgent attention and application whether they be in the field of interest-free banking, international commerce, the development of agricultural and industrial resources, data and information flow, the co-ordination of development policies or the realisation of higher standards of social security throughout the Muslim world. Some of these proposals are highlighted in the Conference Communique and obviously need to be pursued for their realisation. In this task the vision supplied by the eternal principles of Islam is of crucial importance. Human and economic resources may be in abundance but it would require faith, a strong political will, hard work and cooperation to justify any optimism that the Conference might have generated.

The Conference represented an endeavour to articulate the hopes and aspirations of the Muslim world in relation to a new economic order. The initiative for translating these proposals into action would have to come from the Muslim world. But, as was repeatedly emphasised throughout the Conference, the Muslim world desperately needs to put its own house in order before it can really serve as an example and inspiration to the rest of the world. The Conference, therefore, addressed itself to the leaders of the Muslim world to strive hard to reorganise their economic and social systems on the foundations of Islam. It is only by establishing the Islamic Order in our own time that we can really influence the course of history.

Before I conclude, I would like to place on record our gratitude to the Organisation of the Islamic Conference, The Islamic Solidarity Fund, and King Abdulaziz University, Jeddah for their moral and material support. I would also like to thank Mr Altaf Gauhar and Professor Khurshid Ahmad for helping us in editing the book and Mr Muazzam Ali, Mr Leslie Wolf-Phillips and Mr Abdul Wahid Hamid for their valuable help in the preparation of the final manuscript for the press.

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Salem Azzam
Secretary General

PART ONE

The Perspective

I Why This Conference? *

Salem Azzam

I have the honour to extend to you, on behalf of the Islamic Council of Europe, a warm welcome to this International Economic Conference, which deals with the theme:

The Muslim World and the Future Economic Order.

Last year, when the Council arranged a highly representative *Conference on Islamic Ideology*, I was asked to examine the possibility of bringing together statesmen and scholars from Muslim countries to exchange views on contemporary economic problems. We pursued this proposal with eminent scholars in Muslim countries and international organisations occupying positions of responsibility and associated with decision-making in matters of economic planning and development.

The Council received a most helpful and constructive response. Among the delegates to this Conference are prominent scholars, statesmen, international officials and national civil servants who have been, or are still, closely connected with economic and financial policies in their spheres of work. I take this opportunity to convey to them the sincere appreciation of the council for accepting our invitation to participate in this Conference.

The Secretary General of the Organisation of the Islamic Conference and the Under-Secretary General of the United Nations are due to join us later; they are at present engaged in the African Summit in Gabon.

Mr Zafar ul Islam, Assistant Secretary General of the Organisation of the Islamic Conference will read the inaugural address of H.E. Dr Amadou Karim Gaye and the paper of H.E. Dr Kurt Waldheim, Secretary General of the United Nations, will be read by H.E. Issoufou Djermakoye, Under-Secretary General of the United Nations.

Before proceeding any further, I must thank the British Government,

*Welcome Address by the Secretary General of the Islamic Council of Europe, Mr Salem Azzam at the Inaugural Session of the Conference.

the British people and the British media for the consideration they have always shown to the Council. The Council acknowledges with deep appreciation the presence in our midst of Mr Frank Judd, Minister of State, Foreign and Commonwealth Office.

What does the Islamic Council of Europe stand for and why is it concerned with economic matters? I shall briefly answer both these questions. The Council is an independent organisation supported by all those who believe in the projection of Islam. The Council lays great emphasis on creating a better understanding and awareness of the message of Islam and, as such, is dedicated to human happiness, welfare and progress. I believe such an understanding will lead to cooperation and cohesion. There are nearly 25 million Muslims in Europe and the Council is deeply interested in the preservation and development of their cultural and ideological identity. Simultaneously, the Council is anxious that the Muslims should cultivate and project the fundamental Islamic values of equality, justice and tolerance so that they may contribute to the growth of greater harmony among the communities in which they live and work.

What has the Islamic Council of Europe to do with economic problems? Had the message of Islam been correctly presented and understood, the question would not have arisen. For Islam represents a complete way of life, in which there is no compartmentalisation or segregation of different human activities.

The Islamic principles have an integrated, uniform and comprehensive relevance and application to every branch of life. Economic problems are as much of interest to Islam as any other problem, ideological, doctrinal or educational. But you will hear more about this in the working sessions in which the theme of the Conference and other specific economic and financial problems will be examined. I hope that by the end of the Conference we will have explained the Islamic concept of world economic order and also indicated the contribution which the Muslims can make to the struggle of the poor and less developed countries of the world for the establishment of a just and equitable economic order.

The Conference represents an endeavour to articulate the hopes and aspirations of the Muslim world in relation to the new economic order. The success of this endeavour will depend on the ability of the Muslims to put their own house in order. The Conference will undertake an objective review of present economic policies, plans and institutions in the Muslim countries. It will try to focus attention on the promotion of an egalitarian economic order aiming to realise the Islamic principles of equality, justice and moderation. The Islamic concept of a world economic order will be presented and specific areas within that concept will be examined.

We have to face with regret the fact that the Muslims themselves have done little to evolve free and equitable national orders. Some of the causes can be traced to colonial domination and to the failure on the part of people who occupied positions of authority to live up to the principles and ideals of Islam. But this does not fully explain the continued lack of willingness on the part of the Muslims to take concerted and decisive action to organise their lives under a truly Islamic order. I am sure you will join me in the hope that this Conference will provide an adequate answer to this question. I also hope that the Drafting Committee, after taking into account the views of the participants and the consensus emerging from their discussions, will present to the Concluding Session a Communique which will provide guidelines for a programme of action by the Muslims to re-order their lives in accordance with the Qur'an and the *Sunnah* which I believe, if implemented, would in the course of time, positively influence all mankind.

2 The Muslim World and the International Economic Perspective *

A Karim Gaye

It is for me a great honour and a real pleasure to be invited to inaugurate this Conference on the Muslim World and the Future Economic Order.

I do so with pleasure, but not without trepidation. When your indefatigable Secretary General, Mr Salem Azzam, informed me about the intention of the Islamic Council of Europe to bring together statesmen and scholars for this Conference and asked me to inaugurate it, I wondered whether he had made the right choice; for I am, in fact, neither a statesman nor a scholar. I am only an ordinary servant of Islam. But in this capacity alone, I think it is not out of place that I should find myself in the midst of scholars and statesmen who are eminent servants of Islam.

Having said this, I welcome the theme chosen for this Conference, which closely reflects the anxieties caused by the present economic situation in the world – a situation characterised by an increasing gap between the developed and the developing countries of the Third World.

Three years ago, the Organisation of the Islamic Conference, which I have the honour to serve as Secretary General, had taken note of this situation during the Lahore Summit. In the Declaration published at the end of the Summit, the member countries proclaimed “their identification with the common struggle of the peoples of Asia, Africa and Latin America for their social and economic progress and for the prosperity of all the nations of the world”.

Since the Lahore Summit, the successive meetings of the Islamic Conference of Foreign Ministers have paid very special attention to the economic problems of the Muslim countries. They have not only emphasised the great importance of close economic cooperation between the member states but have also outlined a well-defined framework and laid the foundations for a solid structure to promote this cooperation.

To quote only the decisions of the last Foreign Ministers' Conference, held in Tripoli, it was decided, *inter alia*:

- to approve a general agreement on economic, technical and commercial cooperation;
- to adopt concrete measures for the setting up of a Statistical, Economic and Social Research and Training Centre at Ankara;
- to accelerate the exchange of manpower and technical skill;
- to strengthen land, sea and air links and telecommunications between member states;
- to coordinate and harmonise policies in the monetary, capital and investment fields;
- to adopt concrete measures for the creation of an Islamic Foundation for Science and Technology;
- to establish an Islamic Centre for Vocational and Technical Training in Bangladesh.

All this is aimed at making the Muslim world a united and strong entity, fully capable of playing its role for the well-being of all humanity.

This Conference is being held shortly after the end of the last phase of the North-South Dialogue which has not added anything to our knowledge, despite all the hopes that it raised. That Conference on International Economic Cooperation, to give it its official name, certainly did not lead to the creation of a New Economic Order. The only achievements of this protracted dialogue were apparently:

- a commitment by the industrialised countries to create a special fund for the stabilisation of prices of raw materials without, however, precisely stating the amount;
- a promise by the rich countries to allocate a sum of 1 billion US dollars as special assistance to the most seriously affected countries – a sum which does not even cover the needs for one year of these countries in the matter of debt-servicing.

One may well wonder why the Dialogue did not lead to the expected results. The reason is not difficult to find. It can be summed up in a few words: the lack of an ideology which would be at once humane and effective.

Let us examine a little closely this question of ideology. We find that the two most pressing economic problems with which the economically underdeveloped world is faced today are development and socio-economic justice. Any system, in order to succeed, should provide valid solutions to both these problems.

As it happens, the existing economic systems in the contemporary world have not proved capable of meeting the challenge. In fact, they lead to injustice towards the poor countries. And this injustice stems

*Inaugural Address by the Chief Guest, H.E. Dr Amadou Karim Gaye, Secretary General, Organisation of the Islamic Conference.

from the fact that international economic institutions, commercial arrangements, *etc.*, are conceived to serve the interests of the economically advanced countries.

This is as true of the capitalist economic system as of the communist system. The former is incapable of coping with the problems with which the poor nations are faced because under the capitalist system, development depends on a class of 'haves' which monopolises the resources of a given country. Such a framework surely cannot succeed in ensuring social justice. And today's free enterprise system will surely end up by placing international capitalist forces in a position of domination over the national economies of poor countries.

As for the communist system, it also is inadequate because it is entirely linked to the activity of a certain social class which is relatively undeveloped in the poor countries. The communist system is synonymous with what one may call supra-national remote control, whose interest is nothing but the domination of the developing world. This system also calls for allegiance to a concept which is alien, both ethically and materially.

It is, therefore, necessary to look elsewhere. Our course, however, has already been charted. As far as we are concerned, our ideology can be no other than the ideology of Islam, whose eternal principles provide for all the potential we need to face the problems of development and social justice and to shape a new world economic order. I shall try to explain later how this might be achieved but for the time being, let us pass to other things.

During the past few years the world has witnessed extremely significant developments, which have created completely new dimensions in world affairs. Basic relationships governing important aspects of world economy and finance have undergone vast changes. These developments have naturally had varying implications for different parts and groups in the world economy. As a consequence, the world political scene has also been upset and, in fact, the situation continues to be fluid.

But these developments have also meant new challenges and new opportunities, as well as new responsibilities and new roles for the Muslim world. The suddenness with which these great challenges and these vast opportunities have presented themselves calls for the mobilisation of large-scale effort, and even some sacrifices if we are to use them to our advantage.

The challenges basically arise from the position that the Muslim countries at present occupy in the world economy and in world affairs in general. Our countries, located in Asia, the Middle East and Africa are a part of the developing world and share with it a low living standard. The masses in these countries continue to struggle against illiteracy, squalor,

disease and other forms of misery. And in some of our countries the quality of life for the common man is almost intolerable.

Despite the fact that our countries have a history of development effort, they do not appear to have made much headway – a situation which can be attributed partly to their economic backwardness and to the lack of effective participation in world affairs. Even a glance at the processes through which vital decisions about the world's economic and political affairs are made, and a look at the organisations and countries making these decisions, would clearly show that the Muslim countries generally find themselves at the lower end of the scale. Not infrequently their genuine role has been denied to them and their rights usurped. Such a state of affairs cannot be allowed to continue.

On the other hand, the developments of which I spoke also present a new opportunity and responsibility to the countries of the Muslim world and in the changed world situation an important role awaits them. There is a great deal at stake, and it would therefore be hazardous for others to make significant economic and political decisions while ignoring the interests of the Muslim world.

Nevertheless, we cannot help noting that on the world scene today various dimensions of the world situation, and the decisions affecting them, have come to be identified with a few major powers. This cannot be allowed to go unchallenged, for in the new situation the Muslim world *can* have an effective voice in political and economic forums. In the UN and its specialised agencies, in the International Monetary Fund and other policy-making organs, we must have an effective say in matters concerning the betterment of the developing world in general and the Muslim world in particular.

To be more specific, the operation and the future outlook of the world's financial markets have come to depend – to some extent at least – on the policies and attitudes of the Muslim world. Similarly, the balance of payments situation of the industrial world, its trade, its production and even its employment patterns are no longer exclusively under its own control. The role of the petroleum-exporting Muslim countries in these fields has become increasingly important. These developments give us a powerful instrument for participation in international economic diplomacy, and this is an opportunity which needs to be utilised fully before the non-renewable resources of the Muslim countries are exhausted or modern technology finds substitutes to reduce the importance of these resources.

It is pertinent to note, however, that the Muslim countries are all underdeveloped. Some of them have too thin a population to make the optimum use of their resources, and others have resources which are exhaustible in the foreseeable future. Some of them have rich

agricultural lands, whereas others depend only on their mineral production. Some of them face the problem of accelerating development to match the needs of rapidly increasing populations. These problems, apart from the recent inflationary pressures and the enhanced cost of technology in the developed world, fluctuations in the prices of commodities and the increasing need for capital formation, have exposed a number of our countries to serious economic difficulties. A number of them are in the categories of the least-developed and are most seriously affected. They are facing balance of payments difficulties, and available sources of finance are inadequate to meet their needs. The per capita income and the general economic welfare of the masses in the Muslim countries are very low. In most of them there has been an organised effort at mobilising domestic and external resources to enable them to make economic headway, but it appears that a great deal still remains to be done before the widespread poverty in some of our countries can be grappled with. Such a situation need not and should not be allowed to persist side by side with the Muslim world's rich resource-base in minerals, fertile and productive agricultural land, trained and skilled manpower, finance and all that is needed for a gigantic effort to meet the challenge.

With all these things available to the Muslim countries, what is perhaps needed is a strong political will and strong motivation to join together in order to banish illiteracy, poverty and squalor and to meet the minimum requirements of a decent life. The pursuit of a joint strategy by the Muslim countries to utilise their combined assets – human, technical, mineral, financial and others – would help promote rapid development of all of them.

I cannot over-emphasise the imperative need for joint effort, because in these turbulent times no one country or small group can stand on its own. The larger the group the greater the number of problems that can be tackled, provided of course that the group is cohesive. Separately or in small groups, more limitations, more problems and more complications are likely to emerge.

I hope that, while deliberating on the role and need of joint effort and of a collective approach to the solution of economic problems in the Muslim world, the eminent participants in this Conference will keep in mind the lessons learnt from our recent experience in the North-South Dialogue, to which I have earlier referred. All through the period of the talks, the developing countries had hoped to reach an understanding with the developed world on the issue of development assistance (including re-scheduling of debts), problems related to raw materials and other matters. They have been disappointed in most cases. The failure of the Dialogue, unfortunate as it is, unambiguously calls attention to the great need for closer cooperation among Muslim countries to find

solutions from within. The pursuit of a joint strategy by Muslim countries in economic relations and negotiations with the developed countries would help to eliminate the external constraints on their economic and social development. This also is a challenge. Other countries of the developing world, of which we are a significant part, will keenly watch our efforts and determination to solve the problem. We should be able to set the pace for them.

I shall not try here to identify the economic problems of the Muslim world more specifically, or to suggest a scale of policy priorities to tackle these problems. This task properly belongs to the eminent scholars who will take part in the deliberations. I would say, however, that it is not going to be easy, both in terms of the required determination and the effort, to solve these problems. It will thus be unwise to be too optimistic. There are a number of difficulties and limitations which have to be faced and overcome before headway towards our goal becomes possible.

All of our countries have their own specific problems. They have their own national priorities. For example, the petroleum-exporting Muslim countries have to give thought to the question of offsetting the depletion of their natural resources by the accumulation of productive capital assets. For other Muslim countries, on the other hand, the underlying problem is how best to reverse the adverse trend in their terms of trade, so that their foreign trade can become a useful instrument for quick diversification and industrialisation of their economy.

Many of the Muslim countries, as we have noted, are very poor in resources. Apart from natural resource endowment, these countries have their own history of economic development, their own traditions. The problem is particularly difficult in the institutional set-up, for most of these countries are unfortunately still perpetuating the colonial legacy in their quality of life, their cultural values and, above all, their institutions. These are not easy to change. They take time, but the fact is that economic development is crucially linked with these factors. All this requires a great deal of spade-work in terms of identifying difficulties, and recognising deterrents to cooperation and other limitations.

This would have to be followed by cooperation in various forms in the fields of infrastructure, expansion of trade, integration of communication systems, development of common financial institutions, investment, short-term credit, promotion of transfer of technology and the exchange of scholars and students. This is a long process yet it is unavoidable as a pre-condition to any hope for more fruitful and concrete cooperation, leading to a substantial increase in the rate of economic growth and the economic strength of the Muslim world.

The difficulties referred to earlier cannot be ignored. Our goals in the matter of mutual economic cooperation among the Muslim countries

should not, therefore, be over-ambitious. However, we have an invaluable source of strength. Islam is a tremendous moral force and, as a code of life, provides not only answers to these problems but the basis on which a meaningful dialogue and effective policy options can be deliberated upon. Islam, as we all know, emphasises social justice more than anything else. It enjoins upon its adherents the policy of egalitarianism and equality which covers not just one department of life, but its totality. It applauds as a virtue the act of sharing wealth with less fortunate people.

Islamic tenets motivate us to foster the economic development and social progress of Muslims, both individually and collectively, in accordance with the principles of the *Shari'ah*. This attitude is part of our dogma. Therefore, in an effort to utilise our available resources for the maximum advantage of the Muslim countries as a whole we shall be doing no more than following the injunctions of Islam.

As you are aware, a number of economic groups have demonstrated how successful and fruitful joint economic effort can be. The European Economic Community is but one example of such economic cooperation. It has made possible tremendous progress, notwithstanding serious reservations that were expressed in some quarters and the existence of deep-seated political differences among some member countries. Political differences between Germany and France, for example, had persisted for centuries. Yet the progress they have achieved through the EEC is exemplary. Similar efforts have been made in other parts, with varying measures of success. The Muslim world has the added advantage of a common religion, a common cultural heritage and a common history. With rich resources in minerals, land and manpower – to name but a few – it should not be difficult for the Muslim countries to provide an example of economic cooperation.

The Muslim world is caught in a world which is full of paradoxes and contradictions – peace making among growing tensions; poverty amidst plenty; breakthroughs in science and technology co-existing with widespread ignorance. Deriving strength from our rich traditions, we have the potential to set an example to the rest of the world. This is the theme of the Conference and I look forward eagerly to hearing the views of the eminent participants.

3 The Search for a New Economic Order *

I S Djermaoye

It is a very great honour for me to speak to you, who have come in such large numbers to attend the International Economic Conference organised by the Islamic Council of Europe. As you know, this is not the first time that I have addressed my Muslim brethren assembled to discuss their common interests and their participation in the creation of a better world. A few months ago, I took part in the International Conference of Muslim Associations of North America. Now I am appearing before you, in response to the invitation extended to me, in more than one capacity – as representative of the Secretary General of the United Nations, who has asked me to convey to you his strong feelings of profound sympathy; as a Muslim conscious of the sublime connotations of that word; and as an African who is proud to belong to a religious and cultural community which extends from Indonesia to the Americas.

I should like, in particular, to express my keen sentiments of fraternal affection to the Secretary General of the Islamic Conference, His Excellency Dr Amadou Karim Gaye, whose constant dedication to our great and holy cause is known to all, and to the Secretary General of the Islamic Council of Europe, Mr Salem Azzam, who has so ably organised this meeting.

One reason why so many of you are gathered here is that the feeling of solidarity so deeply rooted in the hearts of Muslims naturally impelled you to respond to the invitation from the Council. Another is that, united in our faith in God, we want to help in building a future worthy of us, worthy of all men, and particularly in the establishment of a new international economic order and, hence, of future world peace.

More than thirty years have elapsed since the Charter of the United Nations came into force, or, in other words, since the creation of a complex of institutions and organisations aimed at ensuring worldwide economic and social well-being. At that time, great hopes were doubtless placed in the new system, but expectations have not been

* Address by Issoufou Saidou Djermaoye, Under-Secretary General, Technical Cooperation, United Nations at the Inaugural Session.

entirely borne out.

In the years which followed, international economic relations were largely governed by four major principles: free and constantly expanding trade, free movement of capital for investment and of technical expertise, unimpeded supplies of raw materials and international cooperation.

No one can deny that the three decades after the end of the Second World War were marked by considerable economic growth and that gross world production showed an unprecedented increase. By the late 1960s and early 1970s, however, it became apparent that the economic and social progress which the industrial countries were enjoying did not have its counterpart in the countries of the Third World.

The fact is that there were serious infringements of the principles which were supposed to form the basis of international economic relations. Free trade was restricted by tariff regulations or preferential agreements which promoted imports of raw materials but at the same time limited imports of producer goods or finished products, the effect being to hinder the industrialisation of the less-developed countries. Similarly, the free movement of capital was only apparent. The appropriation and provision of funds depended on the goodwill of the financial institutions of the western world, which exercised a decisive influence on investments in the Third World. We used to see, and still see, a wealthy country suspending or withdrawing, often for the most selfish reasons, its investments in a country which "incurred its displeasure".

And what of the free movement of expertise? The fact was that national laws and international agreements on intellectual property reserved the discoveries and results of technological progress for the exclusive use of the wealthy countries. The poor countries were reduced to the passive role of impotent onlookers. As for supplies of raw materials, the actual situation was one of anarchy reflected, for instance, in abrupt price variations. At times there was talk of shortages, at others of over-production and gluts in the market. The first victims were, of course, those countries which produced a single commodity and which in the best of circumstances could not count on a stable international commodity market. Lastly, international cooperation did not escape criticism. Bilateral assistance was criticised as not having been always entirely disinterested and even at times becoming an instrument of domination by one side over the other. Nor was multilateral assistance making such rapid headway as would have been desirable. A number of industrial countries were showing less and less interest in development because they were very poorly informed about the real causes of under-development and were distracted by

their own internal difficulties; particularly by their desire to combat the effects of world-wide inflation and an international monetary crisis.

The developing countries themselves were suffering from those effects and the industrial countries seemed to have forgotten that "any lasting prosperity is based on the well-being of all"* and did not seem to perceive that their growth would one day be jeopardised by increasing inequalities throughout the world, for which they would be held responsible. A crisis was inevitable, and it came in 1973. On 16 October 1973, the oil-producing Arab countries, meeting in Kuwait under the auspices of Saudi Arabia, decided to increase their prices by 70 per cent and to reduce their monthly output by 5 per cent. For the first time, a group of "small" countries — developing countries — were joining together to impose their will on the industrial world. Nearly all the other producers followed suit and eventually, at the end of three months, oil prices quadrupled. The entire world was traumatised by this jump in prices, and we know what an impact it had on the economic situation of the industrial countries and on that of the developing countries which had no oil resources — those disadvantaged countries that are coming to be known as the 'Fourth World'. All this took place in an atmosphere of confrontation which threatened to degenerate rapidly.

It was at this point that the Sixth Special Session of the General Assembly of the United Nations was convened, "as a result" — in the words of the Secretary General, Dr Kurt Waldheim — "of a most timely and opportune initiative by President Houari Boumédiène of Algeria." The Session, which was devoted to "problems of raw materials and development", gave the United Nations "an opportunity to begin to develop . . . an over-all and global long-term policy for the future" and "to lay the foundations for a world-wide economic system founded in equity and justice."

The Muslim world took a very active part in the work of the Special Session. President Boumédiène stated at the outset: "Posed a quarter of a century ago by the community of nations as one of the major world priorities, the problem of development has today become the priority of priorities we must all face, without further delay, if we wish to avert the tragic possibility that this problem might one day become a source of uncontrollable conflagration."

President Boumédiène proposed five lines of action to open the way to development: the taking-over by the developing countries of their natural resources; the launching of a coherent and integrated process of development; the mobilisation of the aid of the international community in a massive expression of solidarity among peoples; the elimination, or at least a lightening, of the burdens and attenuation of the circumstances

* S Steinborsson, Minister for Foreign Affairs of Iceland, 1948.

which weigh on the developing countries and very often ultimately nullify the results of their development efforts and their sacrifices; and the working-out and putting into effect of a special programme to procure more concentrated aid for the most deprived peoples.

The debates were to relate to the subjects thus enunciated, and the Muslim countries, joined in fraternal solidarity, emphasised the gravity of the situation and the need to adopt new solutions in an atmosphere of cooperation and mutual understanding.

Mr Ahmed Zaki Yamani, Petroleum Minister of Saudi Arabia, gave an idea of the scope of the problem of raw materials and economic development in the following terms: "On close examination we discover that development alone is a general subject that entails four main elements: (a) raw materials, including energy; (b) capital; (c) technology; and (d) markets. Thus, it is clear that the discussion of development, viewed from an angle as wide as this, would extend to include the subjects of raw materials, the energy crisis and prices. Indeed the discussions would go even further to include inflation, balance of payments problems, the monetary crisis, and all the other ills that we see besetting international trade today"; he continued: "... no country, no matter how powerful or wealthy, will be able to remain oblivious of the plight of other countries that suffer the pain of crushing poverty and starvation. The world of today is one community. If I may borrow the words of Muhammad, the Prophet of Islam — may God's peace and blessings be upon him — I can describe this community as 'an edifice, the different parts of which held each other together' and as 'similar to the human body: when one part of it is hurt, all the other parts share its pain'."

I shall not list the detailed proposals made by the representative of Saudi Arabia, since that would take us too far afield, but I should like to tell you how he saw the role of his country and that of the industrial countries in a new international economic order — and I quote: "We in Saudi Arabia view the world's economic situation as an indivisible whole. Our approach to it is objective, and we undertake to make every earnest effort, using all the means at our disposal, to help in the search for fundamental solutions to the many problems. We realise, of course, that fundamental solutions to problems of this magnitude cannot be found overnight. They can only come gradually, and they certainly require sacrifices to be made. Some individual self-interests will have to be sacrificed in order to preserve or further general international interests, which if not more important are certainly not less important, in the long run, even for the country making the sacrifice. It is this general philosophy that guided Saudi Arabia's actions in the past and that will guide its actions in the future."

The role of the industrial countries was defined by Mr Yamani in the

following terms: "... it is our belief now that the responsibility for extending immediate assistance to the group of developing countries should not rest solely on the shoulders of the oil-exporting countries. The greater part of it should be borne by the advanced industrial countries, which receive from the developing countries prices for the manufactured goods they export to them that greatly exceed, in relative terms, the prices that oil producers realise for their oil."

This appeal for international solidarity and cooperation was to be made in various forms, but with the same insistence, by all the Muslim delegations. May I cite, in this connexion, Mr Benhima, Morocco's Minister for Foreign Affairs: "If the international community sincerely becomes aware of the inevitable interdependence of its economic life, just as it has realised that peace is indivisible, hope becomes possible. But in order to complete the independence of states and guarantee the freedom of man, it is time jointly to seek the coming into being of this justice, without which the difference in the quality of life will of necessity maintain segregation before a destiny which we all claim we want to be better for all. The Third World, in inviting all states to this dialogue, wishes to continue its itinerary and its vocation by eliminating all forms of confrontation which, we have learned to our sorrow, are true obstacles to peace and to the common hope for prosperity."

The Sixth Special Session of the General Assembly ended with the adoption of a "declaration" and a "programme of action" concerning the establishment of a new international economic order. However, the decisions of that Special Session were not immediately implemented by the developed countries, a fact that testifies to the spirit of confrontation which, despite appeals for cooperation, was prevalent at that time. The countries of the Third World invoked the new international economic order in the negotiations and conferences in which they participated, while the industrial countries rejected that reference to resolutions which, in their eyes, were not mandatory and had not been adopted by consensus.

The gravity of that state of affairs and the resulting tensions led the Third World countries and the developed countries to adopt a more conciliatory attitude at the Seventh Special Session of the General Assembly, which was convened in 1975 to make arrangements for the new international economic order.

In his opening statement the President of the Special Session, Mr Abdel Aziz Bouteflika, Minister for Foreign Affairs of Algeria, made the following remarks: "... the Third World is unceasingly fighting and working for true cooperation in a spirit of dialogue and on an equal and mutually advantageous basis. ... Of course, it is no part of the intentions of the Third World, regardless of what is said of us, to impose solutions on anyone. To do so would not be consistent with either the realism of

the developing countries or the purposes of this Organisation. . . . It is, however, clear that confrontation cannot but be harmful to everyone."

The representative of Saudi Arabia, Mr Jamil Baroodi, after observing that it is through love and affection that we can build a better world, concluded his statement with this appeal: ". . . unless you have mutual trust and goodwill you will not be able to initiate a new international economic order. Progress is inane and may be destructive without tolerance and humaneness. Peace cannot be served without taking into account that every human being has the birthright of adequate food, shelter and clothing. So please do keep these elementary truths in mind when the various groups get together, we hope to create a new international economic order. Try to replace *detente* with *entente* and may the Creator of this stupendous universe guide us all into the right!"

The representative of Senegal, guided by the generous and brilliant thinking of my friend and brother President Léopold Sédar Senghor, observed: ". . . those same developing countries are aware that the success of their efforts, and even their survival, will finally depend on the ways and means that can by common accord be found for harmonious cooperation within the international community as a whole. The countries of the Third World have nothing to gain from a diminution in the volume of world trade, or from a reduction in the flow of technical and financial resources. We hope, on the contrary, to convert those resources from means for ensuring our dependence into instruments for promoting development. In truth, any serious reflection on the present situation in international relations leads us to realise how essential is a more active solidarity within the international community . . ."

I could quote from many other statements, but that would make too great a demand upon your patience. As we have seen, the Seventh Special Session marked a change in the attitude of both the Third World countries and the industrialised countries, thus enabling Dr Kurt Waldheim to write, a little less than a year ago: "The Seventh Special Session of the General Assembly was in a sense the test as to whether there would be a continued confrontation between the industrialised and the developing worlds on these and other issues. By this time, however, basic positions had evolved sufficiently for the discussion to hinge not so much on whether, but rather on what kinds of, collective arrangements could be agreed on to meet the demands of developing countries, especially in the field of commodities. There was evident for the first time an entirely new approach to development and a general disposition to create effective conditions for a better world economic order." Dr Waldheim went on to observe: "The Seventh Special Session was rightly acclaimed on all sides as a victory for conciliation and a cooperative view of the future."

The Seventh Special Session ended with the unanimous adoption of

the final resolution, which marked a definite improvement in the climate of negotiation, but nevertheless did not actually establish the new international economic order as defined in the Declaration and Programme of Action and in the Charter of Economic Rights and Duties of States.

The principles on which the new international economic order is to be based are by now too well-known for me to subject to a detailed analysis here. However, I hope you will allow me to say a few words about them. When one reads the Declaration one is inevitably reminded of the spirit which reigned in the United States at the time of independence and in France at the beginning of the 1789 Revolution. In this Declaration, the Members of the United Nations "solemnly proclaim their united determination to work urgently for the establishment of a new international economic order based on equity, sovereign equality, interdependence, common interest and cooperation among all states, irrespective of their economic and social systems, which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and the developing countries and ensure steadily accelerating economic and social development and peace and justice for present and future generations."

This is a grandiose goal which is proposed for the nations of the modern world. But how is it to be attained? What steps should be taken? As you know, the Programme of Action proposes a whole series of solutions relating to raw materials and trade, the transfer of resources, industrialisation, science and technology, and agriculture. One of the most important sections deals with the Special Programme aimed at helping the Third World countries most seriously affected by economic crisis. This Programme is ambitious and when drawn up, it originally aroused mistrust on the part of the industrialised countries. It is being implemented slowly, thus severely testing the patience of progressive forces in both the Third World and the industrialised world.

Nevertheless, the new international economic order is gradually being established. Since its purpose is to end an international economic crisis — which continues to affect the world — a number of international meetings have been convened to study the problems posed. I shall not dwell on the Sectoral Conferences held under United Nations auspices, in particular those concerning food, population, industrialisation, and human settlements, and the Fourth Session of UNCTAD, which demonstrated the desire of both developing and developed countries to continue the dialogue already begun, but I do wish to mention two series of meetings which in my view are of capital importance. First, the Summit Conferences, which reflect the will of Heads of State and Governments to co-operate in resolving the crisis. Rambouillet, Puerto Rico and London are milestones on the road to cooperation. It would be a mistake to think that

the participants confined themselves to discussing problems affecting their interests in the narrow sense of the term. The London Conference was devoted to four main themes: a consideration of the economic situation in the industrial market economy countries, a positive follow-up of the North-South Conference, efforts to reconcile the use of atomic energy with the desire to prevent the proliferation of nuclear weapons and the question of human rights. The complexity of the problems considered made it impossible to attain all the objectives set, but progress was nonetheless made. Thus, the London Conference led to the resumption of the North-South Conference between the Third World countries and the industrialised countries.

That Conference, which held its last ministerial session almost a month ago, met for the first time in Paris in December 1975, in order to study questions relating to international economic cooperation, and enabled a relatively limited number of Third World countries and industrialised countries to exchange views. The Conference followed on naturally from the Seventh Special Session of the General Assembly and took up the same themes. Its work programme, greatly influenced by the petroleum-producing countries – particularly the Muslim States – which insisted that the problems concerning all the Third World countries should be considered, dealt with four sectors: energy, raw materials, development and financial affairs. Four commissions of limited membership were set up, composed in such a way as to take into account the inter-dependence between the economies of the Third World countries and those of the industrialised countries. It is still too early to say what the specific results of the last session of the Conference will be, but I believe that we are on the right course.

One of the reasons I am hopeful is that the countries which benefit from higher oil prices are aware of the inter-dependence of national economies. In May, when he accompanied the Saudi Arabian Crown Prince to Washington, Mr Yamani stated that his country's development was linked to overall economic prosperity, including that of the industrialised countries. Let me cite a few figures. During the period 1970–73, the OPEC countries accumulated a surplus of \$11 billion on current account. That surplus has risen to \$142 billion and will reach \$270 billion by 1985. If the deficit countries are to be able to cope with their rising debts, their gross national product must increase at the same rate; that will call for a continuing rise in world economic activity and a return to stable prosperity within the framework of the new international economic order.

This trend will be accompanied by an expansion of the world of business and labour. As everyone knows, present-day business enterprises find their freedom restricted by workers' claims and increasing

state intervention. However, a new field of activity is now open to them: the industrialisation of the Third World, the establishment of infrastructures in such vast areas as the Middle East and Africa, the development of world transport, and the creation of banking, financial and hotel chains. Businessmen will have a world-wide mission and will have to operate on an international basis if they are to adapt to the new dimensions of tomorrow's world.

Trade unions, which were originally established to defend the individual, the wage-earner, against the omnipotence of the businessman, now find that their role has become one of monitoring the system which they have succeeded in imposing on the businessman. Business has undergone a change, and the target of the trade unions is today not the capitalists but the monopolies. Power is no longer held by businessmen but by technocrats, who are also wage-earners. Tomorrow, however, things will be different, for the distribution of income will no longer take place at the enterprise or country level but at the world-wide level. That is what will open up new prospects for the trade unions.

The world of tomorrow will be characterised by a new kind of business enterprise, a new kind of trade union, and a new economic policy as well. The development of the Third World, under the agreements adopted at the numerous gatherings – particularly the North-South Conference – convened to discuss the conditions for establishing the new international economic order, will profoundly alter the flow of capital and technology and will be conducive to the restoration of world-wide monetary equilibrium, provided that there is goodwill on the part of the governments concerned. There is every reason to believe that recovery, if it follows a curve parallel to that of the surpluses on current account to which I have just referred, will be accompanied by a slackening of inflation and a reduction in unemployment – those two banes of a great many countries of the industrialised world.

But, it will be said, the establishment of the new international economic order will take some time, and meanwhile what will become of the poorest countries? That problem has not escaped the attention of the oil-producing countries, which have spontaneously shown their solidarity with what has been referred to as the "Fourth World." In order not to digress from the subject of our meeting, I shall merely mention the measures taken in the Muslim world for the benefit of the Fourth World. A number of financial institutions for development assistance have been established. As regards multilateral assistance, there is the Arab Fund for Economic and Social Development, whose activities in principle affect only the countries of the League of Arab States; the Arab Bank for Economic Development in Africa, whose resources, exclusively of Arab origin, can be used only for the benefit of non-Arab African countries;

the Islamic Development Bank, which is designed to finance economic and social development even in non-member countries if they have Muslim communities; the Special Account of OAPEC, whose purpose is to provide emergency aid to non-oil-producing Arab countries; the Special Arab Fund for Africa, which was set up, *inter alia*, to compensate African countries for economic losses resulting from the rise in oil prices; and the Arab-African Technical Assistance Fund, which is financed by the countries of the League of Arab States and one of whose main purposes is to find new fields of activity for technical cooperation between Arab and African countries for purposes of development.

With regard to bilateral financing, I shall mention the Kuwait Fund for Arab Economic Development, whose activities affect both the Arab and non-Arab developing countries; the Abu Dhabi Fund for Arab Economic Development, which was set up to provide economic assistance to developing countries in Asia and Africa; the Saudi Development Fund, which finances projects in both Arab and non-Arab developing countries, and the Iraqi Fund for External Development, which has the same purpose as the Saudi Fund.

Finally, a noteworthy recent initiative was the establishment of an Arab Monetary Fund with an initial capital of \$900 million, one of whose purposes is to provide funds to member countries experiencing serious balance of payments problems.

I could mention other initiatives undertaken by non-Arab Muslim States, such as Iran, for the benefit of the entire international community or of individual countries. However, these efforts are so well-known that there is no need for me to describe them in detail. They are of particular symbolic significance, for they show that the international community, including the developing countries, is aware of the grave problem posed by the plight of the most disadvantaged countries and of the need to lose no time in assisting those who do not have the good fortune to possess oil deposits.

In the Second World War, which was fought to safeguard the fundamental principles of mankind and uphold human rights, the Islamic world made a huge contribution, with innumerable Muslims sacrificing their lives in quest of a world of equality and brotherhood among men.

I should now like to share with you a personal remembrance. After the declaration of war as a young volunteer and the follower of the great Senegalese *marabout* El Hadj Seydou Nourou Tall – a descendant of El Hadj Omar, who, with black companions already converted to the faith, won all of West Africa for Islam – I travelled through the entire Ivory Coast, where the Muslim units of the French Army of Africa were concentrated. There I read with revulsion in Hitler's *Mein Kampf* that the Africans, descendants of Hottentots and Kaffirs, were little more than

apes without a soul and that it was criminal folly to treat them like human beings. In the face of these inhuman aberrations, Seydou Nourou Tall, the great Muslim chaplain of black troops, preached the eternal precepts of the Qur'an, which makes equality and brotherhood among men one of the supreme values, and thus exhorted Muslims to defend their human dignity and the honour of the black race, which was so unjustly mocked in a vile and criminal manner for the sole purpose of perpetuating the exploitation of countries with resources of whose magnitude no one at that time had any notion.

It is therefore not surprising that, faithful to its tradition, Islam continues in peacetime to defend the eternal truths of God, guarantees of complete brotherhood between men; men who must maintain unity and solidarity so that together they may create a new world based on mutual understanding, social justice and universal peace.

4 A Promising Initiative*

Frank Judd

I am glad to have been asked to participate in the opening session of this, the second Conference to have been organised in London by the Islamic Council of Europe. I am happy to welcome all your delegates to London on behalf of the British Government. The Foreign and Commonwealth Secretary, David Owen, has asked me to say how very sorry he is not to be able to be here himself. He has asked me to convey the following message on his behalf.

"It is entirely fitting that for the second time Britain is playing host to a Conference organised by the Islamic Council of Europe. Britain has strong traditional links throughout the Islamic world and these links have never been firmer than they are today. You have chosen as the theme for your Conference a subject of great importance to us all and the list of distinguished speakers and participants is a testimony to the important contribution which Muslim countries have to make to the solution of our common ills. May your Conference contribute to a better understanding between the peoples of Europe and those of the Islamic world, and to the peaceful achievement of a more just and stable world economic order. I send my best wishes to you all."

For me, personally, it is particularly interesting to be here today, for before I came to the Foreign and Commonwealth Office I was Minister for Overseas Development. On the basis of my experience in that Ministry and in the Foreign and Commonwealth Office I can certainly agree that, to quote from your conference pamphlet, "The present debate between the developed and the developing countries of the world is entering a decisive state".

Whether we can, together, approach and solve the great economic issues of our time and establish a more just, equitable and stable world economic order, will ultimately determine the kind of world that we bequeath to future generations.

What has come to be called the North-South Dialogue takes place in

many international bodies, in the UN and its various agencies and in other international gatherings such as the recent Commonwealth Heads of Government meeting. The Euro-Arab Dialogue also has an important role in this debate. It provides a valuable framework for economic and other cooperation between the European Community and a large part of the Muslim world. It was encouraging to see how, in the words of its communique, the Dialogue General Committee meeting in Tunis in February "succeeded in cementing the idea of the Dialogue" and in "strengthening its foundations and procedures".

Your Conference will certainly make its own significant contribution to the North-South Dialogue. For the past 18 months this dialogue has been centred on the Conference for International Economic Co-operation which concluded recently after completing detailed discussions on the whole range of economic issues affecting both developed and developing countries. We did not expect the CIEC to solve all the problems before it; it was inevitably just one stage in a continuing process.

However, in spite of the great complexity of the problems involved and while all of us who are impatient for progress would have liked to see more concrete results, I believe it would be greatly ill-judged to consider it a failure. On balance it clarified a great deal and set out the areas for concentration in the future. What is now needed is firm determination to build on this as we pursue the many outstanding issues in the various international bodies where the Dialogue will now continue. The spirit of cooperation which began with the Seventh Special Session of the UN General Assembly must never be allowed to wither; for only by recognising the inescapability of international economic, political and strategic interdependence can we hope to find solutions that will benefit us all. Nobody, except the masters of rhetoric – certainly not the many millions of men, women and children to whom we owe our overriding allegiance – will benefit from negative confrontation.

London has been host to a large number of conferences this summer. In May we had the Downing Street Conference followed by the NATO Heads of Government meeting, and at the beginning of June there was the Commonwealth Heads of Government Conference. Finally, at the end of June there was the European Council meeting of Heads of State and Government in London which marked the end of a period of six months during which for the first time the UK undertook the responsibilities of the Presidency of the Council of the EEC. All this adds up to a lot of words, but the future cannot be built on words. The challenge is to transform these words into effective action.

The Muslim world, like the Commonwealth, comprises some of the richest and the poorest nations in the world. Like the Commonwealth it

* Address by Mr Frank Judd, M.P. at the Inaugural Session.

is able, for this reason, to look at economic and political problems in their global context. During the World of Islam Festival in London during 1976 we were able, many of us for the first time, to appreciate the immense achievements of Islamic civilisation, particularly in its first flowering in the Middle Ages. Islam then gave the world, in addition to the force of a new religion, the benefits of great scientific, cultural and artistic advances. Today the Islamic nations have once more a vital contribution to make to the international community. I believe that your Conference can lead to a greater understanding of some of the economic challenges and opportunities which face all of us today. Islam plays an important part in reminding us all that we live in one world (even if it is becoming fashionable to talk about three, or even four, worlds) and that, both as nations and as individuals, we have important obligations to each other if our society is not "to degenerate into violent and destructive conflict".

On behalf of the British people, the British Government and, if I may myself personally, I wish you all a most successful Conference and to our visitors a very enjoyable stay in Britain.

5 A New Threshold*

Salem Azzam

It gives me great pleasure to say a few words to you at the conclusion of this International Economic Conference. The Islamic Council of Europe is proud of having sponsored this Conference, enabling some of the leading Muslim scholars, statesmen and international civil servants to confer together and outline the role of the Muslim world in the making of a new future for mankind. I am sure you will agree with me that the time we have spent together in this Conference will remain fresh in our memories for a long time and that this humble effort will prove a useful step forward in bringing about a new awakening about the role of Islam in meeting the challenges that man faces today.

This Conference has focused the attention of the Muslims and non-Muslims alike on the fact that the international economic order is threatened with disintegration not because some specific part of it has weakened and given way, nor because some disorderly group is bent upon destroying it, but because the system is characterised by injustice and exploitation of the many by the few. Such a system can last only as long as those on whose exploitation it thrives are incapable of challenging it. It is a Divine law evidenced in history that an unjust system cannot hold the ground forever. After a certain spell during which its supremacy seems everlasting, cracks begin to appear in its foundations and the forces of change sweep it into the dustbin of history, sometimes gradually and sometimes through a sudden dramatic collapse. And one may further say that the prospects of catastrophe become more imminent when the possibilities of negotiated change are denied by the defenders of the old order.

Brothers and sisters, we are passing through a very critical period of human history. On the one hand man has now in his hands the means through which he can establish a just world order in which all human beings may live in amity, peace and dignity. This prompts one even to

* *Concluding Address by Mr Salem Azzam, Secretary General of the Islamic Council of Europe.*

dream of the possibility of a new golden age in the not too distant future. But this is only one possibility – the other is that the power that science, technology and economic riches have given to man would continue to make him more and more neglectful of his responsibilities towards other human beings and towards God. This blinds him to the dangers that are bound to follow the misuse of these powers, threatening the very existence of man and civilisation.

At a crucial historical moment like this, we the Muslims, cannot be passive spectators of this tragic situation. We have to prepare ourselves to play a role that is in keeping with our religion and our early historic tradition. It is our duty to present before the world a new vision of man and society – of a new order in which man could re-discover the true meaning of human greatness and evolve a society wherein justice is assured for all. Let me make it very clear that this vision is very different from the reality of contemporary Muslim life. We invite mankind to examine the Islamic ideology as it is expounded in the Qur'an and *Sunnah* and see if it can establish the new order of which man is dreaming. We also invite the Muslims to examine critically their own life-styles, individual as well as collective, and to make a serious and dedicated effort to change the system so as to fully and totally conform to the Islamic ideals and norms. Then only would we be able to present before the world a model of the Islamic order that would give a vision that can inspire the soul of man and prompt him to achieve new heights of progress.

This is the role that the model of Madinah played in the early history of Islam and this is the role to which history is calling the Muslims once again.

Coming back to what the Islamic Council of Europe is and proposes to do in this respect, may I once again submit that our main purpose in organising this Conference has been to provide the Muslim intellectuals with an international forum to present their viewpoint before the world. By the grace of Allah we have done that successfully during this Conference.

To the western world we have tried to show that the Muslim anxieties about the current debate on the new world order are based on careful analysis of the world situation and deep reflection on their own value-system. We hope they would try to look into our hearts and see that we want to pursue an alternate road not because we are inimical to anyone but because we want to serve humanity and because we do possess a certain vision of how this can be done in the otherwise confused situation of today.

To the Muslim world we have tried to show that their salvation does not lie in a slavish imitation of the superficial aspects of western culture but in firm commitment to their own Islamic ideals, values and principles

and through real hard work to re-establish the Islamic order in that part of the world where Allah has given us political power and human and economic resources. There is no doubt that we have to operate under a number of internal and external constraints, but the worst obstacles in our path are the result of our own blurred vision and lack of will to transform ourselves to become true embodiments of our great religion.

Islam is not a religion in the limited sense of the word. It covers all aspects of human life and wants to develop a new moral personality in man, an integrated social existence and a new socio-economic and political order. The Muslims would fail to become true followers of Islam unless they bring about this total transformation of their lives and society. We are apologists neither for capitalism nor for any variant of socialism or communism. We stand for building human life on the basis of Islam which is unique and self-sufficient. The Islamic Economic System is a part of the overall Islamic World Order and we invite the Muslims to set their own house in order so as to enable others to see what Islam is in practice. Those of you who attended the International Islamic Conference, which the Islamic Council of Europe organised last year, would recall that I emphasised that Islam speaks only one language – the language of action, and history also understands but one language – the language of action. Let us not talk with our tongues; let us talk with our deeds. This is the greatest reality that I want to re-emphasise today and in emphasising this I am only repeating what the Qur'an says:

يَا أَيُّهَا الَّذِينَ آمَنُوا لِمَ تَقُولُونَ مَا لَا تَفْعَلُونَ
كَبُرَ مَقْتًا عِنْدَ اللَّهِ أَنْ تَقُولُوا مَا لَا تَفْعَلُونَ

"Oh, you who believe! say not what you do not do. Allah abhors that you say what you do not do." (Al-Qur'an LXI:2 & 3)

This Conference has, from this international platform, tried to explain the Islamic approach to the World Economic Order and has spelled out some of its policy implications for the Muslim people. The Communiqué of the Conference presents the essence of our thinking. This will be followed by a more detailed report on the recommendations of the Conference and the publication of its proceedings. It is now for the Muslim intellectuals to continue this exercise and work out the details of this approach for different areas of policy and planning and it is for the Muslim governments to strive hard to implement them. The Islamic Council of Europe, with its very limited resources, made this unique experiment of bringing together, in one forum, the Muslim scholars, political

decision-makers and economic practitioners. We hope this exercise will have its feedback in all areas, particularly in research, policy-making and development planning.

The ball is now in the court of those responsible for implementation. But I would like to assure you that as far as the Islamic Council of Europe is concerned, we will continue to play our part by provoking thought and by pricking the conscience of the *Ummah* and of those who control its affairs. We propose to establish one or more working groups to continue the work that has been initiated in this Conference. We will continue to raise questions before those who hold power within the Muslim world, even though they find these questions awkward and challenging. We will continue to invite the Muslim people to strive for the establishment of a new order towards which Islam calls us.

We are committed to continue this struggle and our faith is in Allah. He is our Lord and Guardian.

فَنِعْمَ الْمَوْلَىٰ وَنِعْمَ النَّصِيرُ

"And He is the best guardian and the best helper." (Al-Qur'an XXII: 78)

Before I conclude, I would like to thank all the delegates and particularly, our chairmen, speakers and discussants with whose cooperation we were able to organise this Conference, the two rapporteurs and the members of the drafting committee whose sustained effort has enabled us to carry out some of our responsibilities so efficiently, the members of the coordinating and preparatory committees whose tireless efforts made the Conference possible, the Organisation of the Islamic Conference and the King Abdulaziz University for their cooperation and to all of my colleagues in the Islamic Council of Europe and the workers from our constituents, particularly the UK Islamic Mission, who have strived day and night to share my burden. Although we tried our best to make things comfortable for you I seek your indulgence for all our lapses as a result of which you might have faced some inconvenience.

In the end, I thank Allah for His help and guidance in enabling us to hold this International Conference only one year after the First International Islamic Conference [we had organised] in London in 1976, and seek His help and guidance so that we may continue these efforts with greater success.

Brothers and sisters, I want to be very frank with you. Muslims are very strong today. But Muslims are also very weak today. Numerically, we are great – over 900 million with forty-two independent Muslim states. Economically, we have the potential to become a power to be reckoned

with. Our voice is now beginning to be heard in the corridors of world power; our support is now being solicited by nations of the East and the West. This is true, but it would be a grave folly to infer that fortunes have now turned in our favour. Our freedom is still hedged by lingering shadows of the colonial order. Our economic resources are controlled or manipulated by foreign powers to serve their own interests. For a number of essential needs we are dependent upon the outside world which is exploiting this situation to our detriment. Politically, we are divided and even arrayed against one another. We still live under the spell of the intellectual and cultural imperialism of the East and West. This is a grim situation. But the Muslim peoples' increasing dissatisfaction over this state of affairs provides a silver lining.

There is a new and strong move to tear asunder these age-old shackles of mental and cultural slavery and to rebuild the life of the *Ummah* on truly Islamic foundations. This is the rising tide of the Islamic movement – the contemporary revival of Islam. The efforts of the Islamic Council of Europe are directed to strengthening this international movement towards this revival. We hope the decisions of this Conference may become guiding stars for this onward march of the *Ummah* and shine as milestones. Our goal is clear. The road we should pursue is also clear. Are we prepared to fulfil this mission to which history is calling us?

PART TWO

**Islam and The New
World Economic Order**

6 The Economic Dimension in Islam

Shaikh Abdul Haleem Mahmoud

In the name of Allah, the Beneficent, the Merciful, Praise be to Allah the Lord of the universe, peace and blessing of Allah be upon Prophet Muhammad and his household, companions and all those who follow his guidance till the Day of Judgement. *"Our Lord, Give us mercy from Thee and furnish us with rectitude in our affairs"*.¹

I would like to congratulate the Islamic Council of Europe for organising this important Conference on the role of the Muslim world in establishing a just world order and also in making the teachings of Islam known in the western world.

The economic dimension in Islam deserves to be understood more clearly in our times. It is hoped that this Conference will, with Allah's guidance, make a valuable contribution in illuminating this aspect of Islam. The distinguished scholars who are taking part in the Conference will, I have no doubt, demonstrate that Divine guidance in economic affairs is better than human opinion, be it from the East or the West.

I would like to take this opportunity to throw light on certain general principles governing economics in Islam.

The basic principle in relation to property is that Allah is the real Owner of everything for He is the only Giver of wealth and He is the only Depriver of these. Man is no more than a trustee of this wealth for as Allah says, *"and expend that, unto which He has made you successors"*.²

In the story of Qarun, the Qur'an reports the pious of his compatriots saying to him, *"Seek the abode of the Hereafter amidst that which Allah has given thee."*³ Qarun's wealth was the gift of Allah and had He so wished, He could have denied it to him. His pious compatriots also said to him, *"Do good, as Allah has been good to thee."*⁴ Allah had bestowed wealth upon him so it was his moral duty to use it in the best possible way.

Man in Islam is Allah's *Khalifah*, his vicegerent and representative on earth. Allah says, addressing the angels, *"I am setting in the earth a vicegerent."*⁵ Allah made man His trustee with regard to property and commanded him to manage all that he has in accordance with Allah's directions. As His trustee, man is obliged to obey the instructions of the

One who appointed him in this capacity. What are the major instructions of Allah in respect of property? Allah has formulated laws concerning:

rules for acquiring property;
rules for purifying property;
rules for the wealthy who were given wealth by Him.

He made rules governing all forms of property, whether it be for private use, trade, agriculture, industry, etc. and about all aspects of property relations whether about renting transactions, recording of debts, sale and purchase or other forms of disposal.

As for the rules governing the acquisition of property, they are summarised in the expression *halāl*, that is to say, it must be acquired through means which are legitimate and beyond suspicion. Ibn Abbas, as reported by Al-Hafiz ibn Mardawayh, said that someone read the following verse in the presence of the Prophet. "O men, eat of what is in the earth, lawful and good."⁶ Sa'd ibn Abi Waqqas stood in front of the Prophet and said, "O Messenger of Allah, pray to Allah that my prayers would be always answered." The Prophet replied, "O Sa'd, eat of what is pure and Allah will answer your prayers. By Allah, in Whose hand is my soul, an individual might swallow an unlawful morsel and for forty days his acts of worship would not be accepted by his Creator. Every servant of Allah who fattens himself on unlawful food and on interest (*riba*), is well deserving of Hell-fire."

Ahmad and others reported that the Prophet said, "O people, Allah is good and accepts only what is good. He has given the Muslims the same instructions regarding conduct as He gave His apostles as He said, 'O you My messengers, eat what is pure and act in piety, for I know all that you do.'⁷ And He said, 'O you believers, eat of the purest of what We have given you'.⁸

Then the Prophet said, "There might be a man who goes on long journeys (for religious purposes, such as *Hajj*) who stretches his arms towards the sky in prayer, with his hair dishevelled and body covered with dust, and calls with deep feeling, 'My Lord, My Lord', but his food is unlawful, his drink is unlawful, his clothing is unlawful and his nourishment is on unlawful food. How can such a man expect that his prayers would be answered?"

Abdullah ibn Mas'ud reported that the Prophet said that, on the Day of Judgement, no one will be allowed to depart from the fearful stand in front of Allah, until he is questioned about four things: his life, how he spent it; his youth, how he utilised it; his money, how he earned and how he spent it; and his knowledge and what he did with it. Abu 'Abdullah al-Nu'man ibn Bashir said, "I heard the Prophet (peace be upon him)

say, that which is permissible is plain and that which is forbidden is plain and between the two of them are doubtful matters about which not many people know. Thus he who avoids doubtful matters safeguards his faith and his honour, but he who falls into doubtful matters falls into that which is unlawful. Like the shepherd who feeds his herd on the verge of the protected land: his sheep are likely to stray into the forbidden zone. Every sovereign has a protected area and the protected area of Allah is that which He has forbidden. There is one organ of the body which, if it is pure, the whole body will be pure and, if it is evil, the whole body will be evil. That is the heart."

Islam, it is clear, decrees that property must be acquired through legitimate means. But this is not all. The owner is under an obligation to show his gratitude to the Lord, or, if you wish, an obligation to purify his wealth and himself. This purification is through *zakat*, the purifying tax. *Zakat* is obligatory but *sadaqat* (alms above and beyond *zakat*) is an expression of a greater sense of gratitude. I shall dwell on this topic a little, because it is important and because many people have neglected it. Moreover, it is closely connected with many important aspects that need to be clarified.

Al-Bukhari, on the authority of Abu Hurayrah, reports, "When the Prophet (peace be upon him) died and Abu Bakr took over the leadership of the *ummah* and there were those who became apostate, through refusing to give *zakat* to the poor or to hand it over to the poor or to hand it over to the *zakat* official, 'Umar said (as the issue was being debated), 'How can we wage war against such people (who witness to the unity of Allah and the prophethood of Muhammad, peace be upon him) when we know that the Prophet has said that anyone who makes such a statement will have protection from him for his person and property, except if there is a claim (against either)?' Abu Bakr replied, 'By Allah, I shall fight those who separate *salat* (prayers) from *zakat*, for *zakat* is a claim against property. By Allah, if they deny me even the little bit of rope put around the neck of a camel which they previously paid to the Prophet (peace be upon him), I will wage war against them for such an action. 'Umar said later, 'Once Abu Bakr decided to fight them, I realised that he was on the right path'."

From this tradition, we learn that those who refuse to pay *zakat* put themselves in the category of rebels and must be fought. This is because *zakat*, like *salat* and fasting, is a fundamental part of Islam — it is the third pillar. It is meant to feed the hungry, wipe the tears of the needy; remove the pain of the deprived. The giver receives his reward from Allah.

Islam, in this way, shows man how to express his gratitude to Allah for favouring him with wealth and also how to live as a responsible member of a society which acts like one body: if any part of it has a complaint, the

whole will share in the pain. The wealthy, thus, learn that they are responsible for the poor, the strong responsible for the weak, the influential responsible for the down-trodden, and the learned for the unlettered. *Zakat*, as the Prophet (peace be upon him) said, is a proof (of faith) so anyone who claims to be a Muslim while failing to give *zakat* will be subject to doubt, as his refusal to pay *zakat* would be taken as evidence of insincerity.

Zakat, as well as being a proof, is also a test of the believer's faith distinguishing the faithful from the faithless. It results in the purification of both soul and wealth. As Allah instructed the Prophet (peace be upon him), "*Take of their wealth an offering, to purify them and cleanse them thereby.*"⁹ Wealth which is pure and cleansed through the giving of *zakat*, will always show growth and will be blessed by Allah and protected from harm, but, above all, Allah will replace it. The Qur'an says, "*And whatever you shall expend, He will replace.*"¹⁰ Allah replaces it, not to its original value, but increases it manifold: "*The likeness of those who expend their wealth in the way of Allah is as the likeness of a grain of corn that sprouts seven ears, in every ear a hundred grains. So Allah multiplies unto whom He wills. Allah is all-embracing, all-knowing.*"¹¹ After all this, comes the reward in the Hereafter and the pleasure of Allah, the most High. *Zakat* is rewarded by seven times its value upwards to seven hundred times or beyond as Allah wills.

Zakat is thus a bond between man and his Creator, a bond which is manifested in the pleasure of Allah. He rewards the giver with His blessings, and the gratitude of the man so favoured by Allah is expressed by spending in Allah's way. From another aspect, it is also a bond between the individual and his society, a bond of cooperation, kindness and mutual responsibility.

Zakat must be given with a sense of pleasure and satisfaction without looking for anything in return. The Qur'an says, "*Now I have warned you of a fire blazing fiercely, whereat shall be roasted none but the most wretched, who cried lies and turned away, and from which shall be removed the most pious who give wealth and purify themselves. And he owes no one a favour to recompense, only seeking the face of his Lord, the most High. He shall surely be satisfied.*"¹²

Some people follow their alms with reproach and injury, thus nullifying their good deed but, "*Those who expend their wealth in the way of Allah and do not follow that with reproach or injury, their reward is with their Lord and no fear shall be on them and neither shall they grieve.*"¹³

Wealth belongs really to Allah – as the Qur'an says, "*Expend that of which He made you successor. The believers and spenders from amongst you shall have a great reward.*"¹⁴ And in a Divine tradition (*hadith qudsi*), Allah, the most High, says, "*The wealthy are My deputies and the poor are*

My dependants, so if My deputies deprive My dependants, I shall make them taste My punishment."

Those who are miserly have been mentioned in the Qur'an: "*But as for those who are niggardly with the bounty of Allah, let them not suppose it is better for them; nay, it is worse for them. What they have been niggardly with will be hung around their necks on the Day of Resurrection. To Allah belongs the inheritance of the heaven and the earth and Allah is aware of everything you do.*"¹⁵

The Human Aspect of Zakat

It was reported by Ahmad that, "A man from the tribe of Tameem came up to the Prophet (peace be upon him) and said, 'O messenger of Allah, I am a man of considerable wealth and numerous relatives, please tell me what to do and how to expend my wealth.' The messenger of Allah replied, 'You give *zakat* out of your wealth; it is a cleanser to purify you. And give your relatives, as a sign of affection, and acknowledge (by action) the right of the poor, neighbours and beggars.'" In this way, the Prophet has pointed out that *zakat* purifies the giver. It purifies him of the stains of miserliness. The Qur'an says, "*And those who are guarded against the avarice of their own souls shall be the ones to prosper.*"¹⁶ And the Prophet (peace be upon him) spoke of three deadly sins, one of which is avarice.

Zakat thus purifies the person of selfishness, such selfishness which incites him to hoard wealth and deny it even to his relatives. But if he gets used to paying *zakat*, he will form the habit of being able to give to others part of what he owns and thus would be cured of selfishness.

Zakat gives a sense of security to the giver. It is a protection to the self and a source of satisfaction and comfort to the heart. The Prophet says, "Safeguard your wealth by paying *zakat*."

The sincere Muslim recognises two objectives in *zakat*. The first is that it is the payment of a debt. It is a duty, not a favour, as Allah describes the pious as those, "*In whose wealth there is a rightful share for the beggar and the deprived.*"¹⁷ The second objective, which is on a higher plane, is that of the pleasure of Allah, for as Allah says regarding the pious who pay their *zakat*: "*He shall be satisfied (with them).*"¹⁸

Sadaqat (Voluntary Alms)

Allah says, "*A kind word and forgiveness, are better than charity followed by injury. Allah is free of all wants and He is the most forbearing.*"¹⁹ This verse, together with others, enjoin us to give alms and specifies for us the proper manner in which it should be given: it should not be followed by reproach to the recipient nor should it be followed by any kind of injury

to the recipient, whether this be in word or deed.

Early Muslims used to be meticulous in avoiding any act that might upset the person who receives their alms to such an extent that Zayd ibn Aslam advised that, "If you felt that the person who has received alms from you may be embarrassed by your greetings, then you may avoid greeting him."

Islam protects and safeguards the dignity of the individual in all circumstances, but especially in connection with *sadaqat*. The poor are not to be degraded or despised for having to receive alms. The Prophet said, "The one who gives out of wealth is no better than the one who takes out of need." He also said, "*Sadaqat* goes into the hands of Allah before it passes into the hands of the poor."

Moreover, in a truly Muslim society, *sadaqat* is more beneficial to the giver than the receiver, for the giver is rewarded in this world and the Hereafter, but all the poor gets is that which satisfies his hunger. It was for this reason that the early generations of Islam were unrivalled examples in giving *sadaqat*: "Aisha the wife of the Prophet gave away fifty thousand dirhams and was left with a patched dress. She used to instruct her servant to listen carefully to the prayers of the poor who received her alms. She would then in turn offer the same prayers for him so that she would not take even prayers of the poor as reward for her charity."

Umar ibn Abd al-Aziz used to say, "The prescribed prayer will take you half way to the house of the Lord and fasting will bring you to his front door, but *sadaqat* will admit you inside the house."

Allah says in the Qur'an, "*Verily, Allah has bought from the believers their own persons and their properties in return for paradise.*"²⁰ The property is, therefore, Allah's and His alone. If Allah wished, He would have made the poor wealthy, but He chose to endow the wealthy so that they may purify themselves through *sadaqat*, which is a manifestation of sincerity.

Islamic Rules for the Rich

The best way of explaining these rules occurs in the story of Qarun. The pious few of his people tried to advise him on the way to handle his vast wealth. The Qur'an tells us that they mentioned to him five rules. They said:

1. You should not feel so proud of your wealth;
2. You should seek, in managing your wealth, the Hereafter and the pleasure of Allah;
3. You should remember that your life in this world is but a preparation for the next and you must act accordingly;

4. You must be good to others (by giving) as Allah has been good to you (in bestowing upon you vast riches);
5. You should not aim at causing corruption, as Allah does not like those who cause corruption.

But Qarun rejected these sound principles and said contemptuously "*I have got my wealth through my own effort.*"²¹

He forgot, in his pride, that Allah destroys those who do not act with piety in relation to others and who fail to show gratitude for Allah's favours.

Commenting on this attitude, the Qur'an says, "*Had he not known that Allah had destroyed many before him who were of greater strength and vaster wealth?*"²²

As a demonstration of contempt for those who advised him, Qarun came out in a glittering and pompous procession. Those who were taken in by such appearances craved his wealth, but those who followed the true path said, "*Alas for you, the reward of Allah is better for those who believe and who do good deeds.*"²³

The end of Qarun came in accordance with the rules of Allah. He has decreed that if He wishes to destroy a city, He first gives rein to its idle rich who break all moral laws and thereby deserve destruction. Qarun suffered in this fashion: "*We caused the earth to swallow him up and his house and he had no one to help him against Allah nor could he defend himself.*"²⁴ And when those who envied him for his riches the day before, saw what happened to him they said, "*Ah, it is indeed Allah who enlarges or diminishes the riches of whom He chooses. Had it not been that Allah was gracious to us, He might have made us rich and then caused the earth to swallow us. Ah! those who do not believe shall never prosper.*"²⁵

And the moral of the story is summarised thus:

"*The Hereafter We shall give to those who intend no high-handedness or corruption on earth.*"²⁶

At this juncture, I would like to speak about usury (*riba*). This is the other limit on the Islamic scheme for management, *zakat* and *sadaqat* being the first one. Allah enjoined *zakat*, but prohibited *riba*. Islam has fought against *riba* with great force. It has outlawed it because *riba* is not humane. The Qur'an uses the severest expressions to describe usurers. It says, "*Those who devour usury shall stand in front of you only like a person who had been mad through the touch of Satan. That is, because they say trade is like usury. (But) Allah has permitted trade and forbidden usury. Whosoever receives admonition from his Lord and gives up his error, his past sins shall be forgiven and all his affairs committed to Allah. But whoever reverts (to bad habits) shall suffer*

to the recipient, whether this be in word or deed.

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eternal hell-fire. Allah has blotted out usury, He augments alms."²⁷

The rule concerning usury is that every loan which brings interest is usury. The Qur'an says, "*You are entitled to your capital (only) without injustice done by you or done to you*".²⁸ The lender has a right to his capital and no more. Early Muslims were so sensitive on these matters that the lender of money would avoid benefiting even from the shade of the tree or a wall that belonged to the borrower.

The rules are clear in the Qur'an. Trade is permissible. To take usury is forbidden and there is no way around this rule. The Qur'an ends the statement on usury in this fashion:

*"O you who believe, fear Allah and give up what remains of your claims of usury if you are truly believers. If you do not, then take notice of war from Allah and His apostle. But if you repent then you shall be entitled to your capital sums with no injustice committed by you and no injustice suffered by you."*²⁹

The verse dealing with *riba* follows the verse dealing with almsgiving, so the contrast may enhance our understanding of the importance of both aspects. They are contrasted at every level and in every aspect, thus emphasising the moral value of *zakat* and *sadaqat* and the exploitative nature of *riba*.

I would like to say a few words concerning the forcible methods employed by some states to dispossess some people of their wealth. The position of the Muslims with respect to this is clear and unequivocal. Of hundreds of references that can be given on the subject, I will refer to only a few:

The Prophet said, "Whosoever acquires unjustly a piece of land, even as small as the span of a hand shall suffer for it as a ring around his neck." This tradition is repeated in the sources to emphasise the sanctity of property.

There is another tradition which states, "Whosoever takes a piece of land by force from another man shall meet his Lord and He will be angry with him."

And finally, the Prophet said, "It is forbidden for a Muslim to acquire a twig belonging to another Muslim without the owner's approval." This shows that Muslims should respect the right of ownership under the law.

On the basis of what we have explained, we can say that the fundamental difference between Islamic economics on the one hand, and capitalist or socialist economics on the other, is that whereas Islamic economics rests on Divine guidance, the others are the result of pure human endeavour.

Man-made systems disregard brotherhood and kindness as elements of an ideal economic system. Islamic economics, by contrast, builds all re-

lationship between individuals on the foundation of brotherhood and kindness. Allah says "*The believers are but brothers*",³⁰ "*We have sent you (O Muhammad), only to be a source of mercy to all mankind.*"³¹ May Allah guide us all to what is best!

7 The Islamic Concept of World Economic Order

Altaf Gauhar

Introduction

The main argument in this paper is divided into two parts, though the transition from one to the other is not particularly smooth. But the problem which is sought to be examined is the same in both the parts, namely the need to evolve an economic order based on equity and justice, providing equal opportunities of advancement to all without any discrimination, to ensure the happiness and growth of the people.

The first part deals with the New International Economic Order which recognises the urgency and the desirability of bringing about certain fundamental and structural changes in the prevailing economic system and promises to evolve a more equitable arrangement. If it could be shown that there were a reasonable possibility of such a promise being fulfilled, there would be no need to pursue any other alternative, and the second part of the argument would become redundant.

It is my case that the proclaimed objectives of the New International Economic Order cannot be achieved. Not because the objectives are unattainable, but because the principal parties engaged in negotiating the new order are governed by certain immutable considerations and constraints which are irreconcilable with those objectives. Any criticism of the West or of the Third World must not be taken as a reflection on the people who are kept under domination in the countries of the Third World, and under ignorance by the mass media in the industrialised West.

To begin with, an obvious question needs to be answered: Why is there so much talk of a New International Economic Order? Whatever happened to the old order? Statesmen and political scientists are constantly reminding us that the world is facing an economic crisis and unless something is done to bring about a structural change in the existing system, a major part of the world may be pushed into confrontation. International civil servants assure us that "many of the facets of the economic order as it has prevailed up to now are in need of modification,

even from the point of view of the developed countries".¹ The international monetary system it is said "has collapsed";² the environmental issue has placed a disconcerting question mark against "prevailing assumptions regarding the availability and use of natural resources, with serious implications for the continuation of patterns of development that were predicated on their wanton exploitation,"³ and the ability of the developed countries to combine full employment with relative monetary and price stability has been seriously undermined.⁴ The basic assumption is that the existing monetary and economic system which, for well over a hundred years, was working against the interests of the developing countries has, in recent years, produced deleterious side-effects for the beneficiaries of the system who are now beginning to feel that the system needs some modification. It is reasonable to believe that the developed countries should take steps, in their own interest, to introduce such modifications in the system as would eliminate those side-effects. What is difficult to accept is that the developed countries have developed a new conscience, and as a result of this transformation have recognised the illegitimacy and injustice of the present system. It will be my endeavour to show that no transformation has taken place.

The truth is that a new global division of power, based on weapons of terror and destruction, is being negotiated to dominate the world, and there is evident desire to review the traditional relationship between the producers of raw materials in the Third World and the industrialised countries of the West. It is possible that as a result of this review some alterations may be made in the present system, leading to marginal improvements in the Third World economic prospects but the fundamentals of the system will remain unaffected. Too many vested interests, not only in the developed countries, but in the developing countries as well, depend on the preservation of the *status quo*. Indeed, there is a considerable coincidence of interest, amounting to collusion perhaps, between the ruling elites in the Third World countries and the dominant groups in the developed countries which is likely to prevent the possibility of any radical change in the present political, social and economic arrangement. Any fundamental change in the present system entails a fundamental change in attitudes and values. There are no prospects that such a change can be brought about within the framework of the New International Economic Order.

Part I

Section I

The UN General Assembly adopted a Declaration and a Programme of Action on the establishment of a New International Economic Order on

1st May 1974. The members of the United Nations, having seriously considered for the first time the problems of the Third World, and appalled by the stark misery and squalor prevailing in the poor countries, proclaimed their united determination to work urgently for the establishment of a New International Economic Order based on equity, sovereign equality, interdependence, common interest, and cooperation among all states, irrespective of their economic and social systems. The new order would rectify inequalities, redress injustices and eliminate the widening gap between the developed and the developing countries. The Declaration included an indication of the size of the gap. The developing countries, constituting 70% of the world's population, received only 30% of the world's income. For the first time the international community officially recognised that the present economic order, established at a time when most of the developing countries were under colonial domination, was perpetuating, and in fact deepening, the existing inequalities. The familiar spectacle of a multitude of hungry people overwhelming a rich enclave in a town or district could develop into a global phenomenon. The world must avoid such a catastrophe by doing something for the economic and social development in the exploited regions. Thus alone can the present and future generations be assured of peace and justice.

The world community worked out for itself in 1974 a charter of hope based on justice and equality. This charter is in danger of being betrayed. Every recommendation contained in the 1974 Declaration has, so far, been thwarted, and every principle contravened. While UNCTAD Conferences will continue to be convened at regular intervals, and the North-South Dialogue will be resumed as soon as the protagonists recover their breath, it seems impossible that the pledges made in 1974 will be fully redeemed. This is not a subjective judgement. Evidence from authoritative sources will be presently provided to substantiate this.

But, first, a brief account of what constitutes the existing economic order, which is sought to be replaced by a new order, and how the poor nations, variously grouped as Arab-Africa, Afro-Asia, the Third World, and the Muslim World, have continued to suffer on account of the prevailing inequities. Much has been written on this subject by Third World economists, and by various organisations of the United Nations, particularly by the UNCTAD Secretariat and, more recently, by a Commonwealth Experts group. The whole of this literature, almost without exception, is apologetic.

What do the Third World apologists say? The present economic order, they point out, suffers from certain weaknesses, which have resulted in a degree of economic disparity between the rich and the poor; these weaknesses should be removed as urgently as possible, for, unless

this is done, the existing arrangements will obstruct the continuing growth and prosperity of the rich. Third World statesmen, political scientists, economists and bureaucrats make two points: (a) the developed countries should accept the necessity of making some economic concessions to the developing countries in their own interest; (b) the *status quo* in the Third World is exposed to the risk of radical change which must be avoided by making the reality of life less harsh for the poor. A failure to accommodate the demands of the poor would produce growing instability in the Third World which might overflow North-South bounds and heighten East-West tensions. These views reflect a basic coincidence of interests of the dominant groups in the industrialised countries and of the elitist classes in the Third World. The elitist classes in the newly independent countries were created and trained by their colonial masters to perform certain functions and the advent of independence raised them from the position of intermediate domination to one of direct domination. Their principal concern since then has been to preserve the *status quo*, which protects the interests of their erstwhile masters, and perpetuates their own hold over the masses.

The prevailing economic system does not suffer from any structural weakness. Indeed it is a fool-proof system carefully designed by the colonial powers to derive the maximum benefit from the resources of the territories over which they had acquired control by conquest. The system has operated faultlessly to their advantage, contributing steadily to their material prosperity, to their standards of living, and to the growth of their per capita incomes in real terms. Concurrently, the exploitation of the poor under the system has been unrelenting. When economists say that the existing system has produced a situation of gross inequality, it is unconsciously assumed that the system was intended to produce equality but underwent some distortion during the course of implementation. There is no basis for such an assumption. Quantitatively the situation has worsened in the last fifty years for the poor countries but such a result was inevitable under the system. When Third World economists and members of the United Nations talk of eliminating the gap between the rich and the poor, they seem to visualise the two ends of the gap either in a static position or moving in the same direction, with the hind-end accelerating to catch up with the fore-end. The truth is that the two ends are moving in opposite directions, one slipping backwards and the other galloping forward. The rich are not likely to welcome any reduction in their quality of life or in the extent of their control, and the people of the Third World, disunited, disorganised, dominated by an alienated elitist class and forced to live under institutions and systems of thought wholly divorced from their traditions and temperament, will continue to suffer.

Section II

A brief historical account to explain these points. The First World Trade Conference convened by the UN in Havana in 1947 led to the establishment of the General Agreement on Tariffs and Trade. However, it soon became obvious that GATT was going to be just a talking shop where endless rounds of negotiations would only produce distrust and frustration. With the GATT dead, but not interred, a further UN Conference on Trade and Development (UNCTAD I) was held in Geneva from March to June 1964; this was in accordance with a General Assembly resolution adopted on December 8th 1962. A Trade Conference was later established as an organ of the General Assembly to meet in 1966 when a joint Declaration was adopted by 77 developing countries. The Declaration recognised that there was inadequate appreciation of the problem of the trade gap and only the most limited approaches had been made regarding trade in primary commodities and preferences for exports of manufactures. UNCTAD II was held in New Delhi in 1968. The American and British representatives announced that they could not either increase the level of their assistance to developing countries or soften the terms of their aid. The Group of 77 met in Lima in 1971 to draw up a list of demands to be presented to the industrialised countries in preparation for the third session of UNCTAD in Santiago in 1972. That was where President Allende of Chile demanded that an outdated and radically unjust economic order should be replaced by one based on human dignity.

The 1974 Declaration of the UN General Assembly emerged from this background. The hopes generated by the Declaration, however, soon evaporated. A Conference of the representatives of some 110 non-aligned developing countries in Africa, Asia and Latin America, held in Dakar (Senegal) in 1975, followed by a meeting of the Group of 77, deplored the fact that no action had been taken toward the implementation of any of the resolutions previously passed.

UNCTAD IV was convened in Nairobi in May 1976. The Secretary General presented a detailed Report⁵ to the Conference in which he made the following points:

1. Something more than peripheral adjustments in the prevailing system of economic relations was necessary to meet the needs of the Third World;
2. The rate of growth in the developing countries was hopelessly short of the needs — let alone the aspirations — of the people;
3. During the post-war period as a whole the increments in per capita real income had proved to be marginal in a number of developing countries. The benefits of growth, such as they were, often did not

percolate through to the population, and existing disparities were widened;

4. Developing countries had been forced to borrow in commercial markets or resort to suppliers' credit at high interest rates and with relatively short maturities. This had contributed to a sharp increase in the external indebtedness of the developing countries from \$9 billion at the end of 1956 to \$90 billion at the end of 1972, and none of this increase could be said to be a result of the increase in the price of oil.

Section III

The situation presented to UNCTAD IV by the Secretary General was not entirely unforeseen. His predecessor, Paul Prebisch, had identified most of the trends in the early fifties. Prebisch established a relationship between primary goods' prices and industrial prices and showed that this relationship had been deteriorating since the 1870s. The wages and profits in industrial countries, which he called the Central Countries, had increased in comparison to productivity, but continued to decline in the developing peripheral countries, where the rate of increase of incomes had been lower than the rate of productivity gain.

Prebisch postulated a disparity between national economic development in the central and the peripheral countries, and argued that economies in the former were self-sustained through technological progress, whereas the peripheral countries continued to act as raw material suppliers for industrial centres. When there was some increase in productivity in the economies of the periphery, the centre was the actual beneficiary: "The poor countries remain trapped inside a vicious circle of low productivity and low savings followed by more of the same."⁶ Twenty years later, the 1974 Declaration recorded that 70% of the world's population received only 30% of the world's income. The UNCTAD Secretary General reported further concentration of income in 1976: "Today the developed market-economy countries with 20% of the world population enjoy about two-thirds of total world income."⁷ He added that nearly one-third of the world population lived on barely 3% of world income, and their average per capita income did not exceed \$120. In other words, at least one-third of the world's population, today, has a per capita income of \$120 which is \$55 less than the per capita income calculated for developing countries in 1952.

The recent Commonwealth Experts group, under Mr MacIntyre, Secretary General of the Caribbean Community, in a report prepared in March 1977 revealed further deterioration. The per capita income level in the rich countries according to the MacIntyre Report has reached a figure of \$5,000 as compared to \$4,000, and the level of per capita income in the developing countries has declined to \$200 per head, as

compared to \$300 per head, calculated for 1972 in the Secretary General's Report to UNCTAD IV.⁸ In four years per capita income in the developed countries has increased by 25% and declined by over 33% in the developing countries.

Section IV

During the last four years strenuous efforts have been made to convince the layman that all current economic problems, whether in the Third World or in the industrialised West, are directly related to the rise in the price of oil, to the use of the "oil weapon". The developing countries are under constant pressure to believe that but for the upward revision of the price of oil, they would not have their current balance of payments problem. A recent article⁹ referring to the African and Arab Heads of State meeting in Cairo in March 1977, suggests that "the non-oil-producing developing countries were effectively made to realise in no uncertain terms that the economic servitude to which the Arab oil-producers were in the process of subjecting them seemed likely to become far worse than their memories of the old 'colonial' regime."

The General Assembly Declaration of 1974 conceded "full permanent sovereignty of every state over its natural resources and all economic activities", and acknowledged that each state had an inalienable right "to exercise effective control over them and their exploitation with means suitable to its own situation." The oil problem is the result of the decision of certain states to exercise this "inalienable" right. Even the UNCTAD Secretary General contributes to the view that the exercise of this right has resulted in upsetting certain economic assumptions. In his UNCTAD IV Report he courageously puts the phrase "energy crisis" in quotes, and then suggests that there is need for change in the international framework, because, among other reasons, "the promise of cheap energy, which was up to now an important ingredient of the prosperity and the growth experience of the developed countries"¹⁰ has been dismantled. What the Secretary General refers to as a promise was the most elaborate international swindle of all times whereby major American and European oil companies, with the full backing of their governments and democratic institutions including the press, misappropriated the resources of sovereign states through force and fraud. The oil weapon was not forged by the Arabs, it was forged by Gulf, Shell and BP. When OPEC was formed in 1959 it was an organisation of sovereign, independent states trying to combat, not other states, but a syndicate of private traders who asserted the impertinent legal fiction that they were the owners of the oil resources of the countries to which they had gained admission through force, chicanery and collusion with unrepresentative Governments. They claimed the right to determine the policies

and programmes for oil exploration, production, pricing, marketing and distribution. This was the premise on which "the prosperity and the growth experience of the developed countries" was constructed. Oil production in Muslim countries dates back over fifty years. The Anglo-Persian Oil Company was established in 1913 with the British Government holding 51% interest. The expansion of oil production in Kuwait and Iraq was delayed because Britain, France and the USA could not agree on the terms for the use of oil as a weapon of political control and economic development of the region. Considerable exploration was undertaken by the international companies during the post-war period because they could sell the oil "at a delivered price which not only reflected the higher costs of producing oil in the USA but which, for most customers, also included a transport component calculated as if the oil originated in the Gulf of Mexico."¹¹ In Saudi Arabia, an exclusive consortium of American companies was formed which enjoyed undisputed authority to exploit the oil resources of the whole country. For several decades the pattern of production and the level of prices of oil were determined by private companies at their discretion. Difficulties arose in 1959 when the oil companies reduced the posted prices for crude oil, thus arbitrarily curtailing the amount of royalties payable to the governments, some of whom depended on the oil companies for their survival. It was then that OPEC came into existence and its objective was to restrain the international companies from using the oil weapon against the countries in which they were operating. Earlier in 1954 the oil companies had been persuaded to give some consideration to "the question of relating oil off-take to the development needs of the local population".¹² For more than ten years OPEC pleaded for concessions and the majors "played off" one country against the other. It was only in the early 70s that the oil states taking advantage of the changing international situation started to assert their right over their natural resources, which caused a furore in the Western World. OPEC was condemned as a cartel of "oil-sheiks". The majors were projected as explorers and pioneers, and OPEC, a consultative body of independent states, became an unholy alliance, threatening the security of the world. If OPEC is a cartel, then the EEC, the OECD, the OAS, and even the Security Council, with permanent members exercising veto power, must also be cartels of one kind or another.

The causes of the economic deprivation of the Third World lie not in the oil wells of Arabia but in the prevailing economic system.

Section V

It was stated in the beginning that the consultations which were going on in different forums for the establishment of a New International

Economic Order were unlikely to produce anything but the most superficial and marginal results. The developed countries have no serious intention of either restructuring, in any fundamental sense, the present economic order, or of replacing it by a new order on the lines of the 1974 Declaration. It would be useful to refer to two recent studies in support of this view: the first was prepared in February 1977 for the use of the Sub-Committee of Inter-American Relationships of the Joint Economic Committee of the United States Congress, and the second in May 1977 for the International Affairs Division of the US Central Intelligence Agency. These studies give an indication of the real position of the party which has a decisive say in the current negotiations. The value of these studies is enhanced by, what could hardly be a coincidence, the similarity of the approach recommended in these studies, and the one adopted by the US representatives at the recent North-South Dialogue in Paris.

The first¹³ study deals with the New International Economic Order (NIEO) programme with particular reference to Latin American countries and discusses the possible US response to various items of the programme and its effect on the US economy. The study suggests that the Less Developed Countries (LDCs) through NIEO seek (a) to increase the flow of resources from the developed to the developing countries, and (b) to gain a greater say in international organisations. It confirms that the US attitude to NIEO was hostile when the 1974 Declaration was adopted. The study notes the growth of a new kind of self-confidence among the LDCs and refers in particular to "the independent posture of the Latin American countries". The study then explains the US position on major items in the NIEO programme, viz. (i) a generalised system of preferences (GSP), (ii) tariff escalation, and (iii) export subsidies.

Presenting the LDC case the study says that GSP would encourage the development of infant export industries, ease the balance of payments restraint on growth, attract foreign direct investment for export orientated industries and, in general, further the process of industrialisation. The US is opposed to GSP. President Nixon pledged, in 1969, to implement a GSP system, but no arrangement was instituted until 1974 when a severely limited system of preferences was introduced permitting free access to the US market to eligible articles from designated countries. GSP imports remained subject to quota restrictions, and the President enjoyed the power not to extend GSP treatment to a number of goods. He could exclude any item from GSP if he considered its import sensitive. Certain categories of developing countries were altogether excluded from GSP treatment, namely the Communist bloc countries, members of OPEC, and countries which may join any cartel to "withhold supplies of vital commodity resources from international trade or to raise the price of such commodities to an unreasonable

level". What was vital or unreasonable was to be determined by the President. GSP was also denied to those countries that nationalised the foreign property of US citizens without making prompt and reasonable compensation. Here again it was left to the President to decide what was prompt and reasonable. All these restrictions and limitations were wholly inconsistent with the objectives of the 1974 Declaration.

The Congressional study recognises that the existing tariff structure of the industrial countries tends to weigh most heavily on industrial rather than raw material imports, and that tariffs are higher on products imported from developing countries as compared to the tariffs on similar products passing from one developed country to another. The LDCs made a move to introduce export subsidies to get over these tariff restrictions but were soon checkmated. Importing countries were allowed under the GATT to impose countervailing duties on items enjoying any export subsidy. The US was, in any case, free to impose such duties because it did not have to comply with the GATT procedures or tests. "Although applying different standards to subsidised imports, the US is not in violation of the GATT. The US law preceded the GATT and it was allowed to continue under a grandfather clause."¹⁴

The LDCs are concerned with both fluctuations in their export earnings from, and the long-term trend in terms of trade for, their commodity exports. (Part of the Prebisch thinking was that the terms of trade were gradually turning against commodity exporters and in favour of industrial goods exporters.) Earnings could be stabilised through (a) compensatory financing, (b) buffer stocks and (c) export quotas. The United States has consistently opposed any constructive progress in this area. It does not recognise the right or the freedom of the LDCs to fix the prices of their raw materials in response to market prices. Their interests, the US maintains, would be better served if they relied on assurances of a certain level of income. Compensatory financing funds and credit facilities can be made available to the LDCs if the agreed level of income declines because of foreign prices. In other words, the LDCs should transfer their national resources to the developed countries who will pay them adequate compensation. Should that level not be reached at any time, the LDCs could always apply for credits to make up for periodic shortfalls. Following this line of argument, the US has opposed any integrated commodity agreement, though it is not unwilling to consider commodity agreements on a case-by-case basis. The real problem is that if the LDCs exercise sovereign control over their natural resources, and fix the prices of their materials on the same basis on which the developed countries determine the prices of their goods, it would "make the US more subject to the foreign policy of a supplying power."¹⁵

Technology is seen as the key to industrial growth. However, the

LDCs are not only denied technology, they are often made to accept the wrong type of technology, viz TV sets, consumer durables and a wide range of luxury items. The study notes that "the present product lines of the large multinational firms and the consumer demand of those with money in a developing country thus often coincide."¹⁶ According to the study "the financial flows from royalties and licensing agreements are a positive element in the US balance of payments and do contribute to a higher domestic GNP. In 1975 the total flow of fees and royalties from developing countries was \$630 million . . . Free access by the developing countries to current US technology would reduce the value of these investments, limit future earnings from the foreign sale of technology, and eliminate any economic controls over the diffusion of US technology."¹⁷

The LDCs understand the form and extent of political control which invariably accompanies foreign direct investment. Even the use of development assistance funds is based on the treatment accorded to investments coming from the donor country. The US is unwilling to adopt any mandatory standards to regulate the conduct of multinational corporations, though it would not object to accepting an admonitory code of conduct. Since the US exercises considerable political influence through direct investment, it does not want the status quo to be disturbed. The US policy, the study recommends, should be to trade-off economic aspirations of the developing countries against their political aspirations: "If economic aspirations predominate, the multinational firms will continue to play an active role."¹⁸

The study recognises that the developing countries are under a terrifying burden of external debt, which is increasing every year, because of the market mechanism operating against them. A significant part of their earnings is already pledged toward repayment of interest and service charges on loans. An increasing proportion of every fresh loan is deducted at source to repay, at least partially, outstanding instalments of former loans. (This is the old village moneylending system organised on a highly sophisticated and computerised universal scale.) The developing countries ask for some breathing space or moratorium but the US is strongly opposed to any relaxation because it would make the availability of future loans uncertain.

The study concludes: "The common thread running through the entire NIEO programme is the desire to increase the transfer of resources from the developed to the developing world, while gaining more political clout in the international economic order. *Although many of the specific demands contained in the NIEO programme will remain nothing but paper proposals, the pressures for change in the international economic order are likely to persist.*"¹⁹

The second study may well have been used as a position paper as it was prepared only a month before the North-South Dialogue collapsed in Paris in June 1977. The basic assumption in the study is that "ever since the 1973-74 oil 'embargo' the LDCs have sought to convert control of raw materials into political influence."²⁰ This has led to a "growing assertiveness on the part of the LDCs over the distribution of both wealth and power in international affairs."²¹ It is suggested that "the unilateral OPEC price rise encouraged the LDCs to link all political and social issues to progress on NIEO." Such assertiveness would "make it very difficult for any industrialised country to protect the security of its markets or link certain LDCs into its national security strategy"²² without ascertaining their stand on the North-South Dialogue.

The study notes that, aside from their control of oil, the LDCs probably do not have "the leverage individually or collectively to extract any of their basic demands against the will of the US."²³ But their growing self-confidence, and occasional resort to pressure tactics, have had "an impact on the economies and the diplomacy of the major industrial powers especially on US options to shape changes in the international economic system."²⁴ The LDCs want "transfer"²⁵ of both wealth and power. In this matter they have shown "impressive solidarity", though they are divided when it comes to adopting priorities among specific programme goals.

But the fundamental problem, as the study sees it, is that North and South do not agree over what accounts for the poverty of the South. The developing countries question the legitimacy of the prevailing arrangements and base their demand on a "highly political judgement that the present system is inherently unjust."²⁶ The UNCTAD negotiations and the North-South Dialogue have provided "the industrialised countries with time to manoeuvre."²⁷ They should use this time to cultivate "closer working relations with key LDCs" (emphasis added), which "might help to identify the trade-offs between political and economic responses." Once these "trade-offs" are arranged "receptivity to future initiatives by the developed countries might be improved." In the meantime, something should be done "to enhance the status of key LDCs in the Group of 77" (emphasis added). It is expected that "such initiatives would probably make for far less change in the international economic system and in international relations than many LDCs expect and want."²⁸

The problem is then placed in a wider perspective. There is a danger that tensions generated by LDCs could lead to "periodic disruption in economic and political relations among the US and its industrial partners, and may complicate US relations with the European community and Japan in the future." For the US, the level of tension in North-South

relations could ultimately pose a challenge to its traditional leadership role among the industrial countries. These dangers must be contained. It is fortunate that "so far Moscow and Peking have derived little political benefit from these tensions." But if issues are not resolved, communist leaders would be tempted to deepen their involvement in radical Third World movements. The NIEO programme, therefore, has the potential to inflate contentious issues among the OECD states, which could affect the level of tension in East-West relations as well.

These two studies provide conclusive evidence of what the Americans really intend to do with the New International Economic Order programme. Thinking in other western official circles could not lag far behind the American intentions. The purpose of the whole exercise is to persuade the developing countries (and if persuasion fails, to pressurise or subvert them), to abandon their political aspirations and their claims over national resources, and to accept, in return, an assurance of stable annual earnings and certain other economic concessions.

Part II

Section VI

The prevailing iniquitous economic order cannot be replaced by a new order based on equality and justice, unless there is a fundamental change in attitudes and values. It is not easy to see how any such change would be permitted, much less encouraged, by dominant elements in market-economy countries, who thrive on manipulation, monopolies and interest, or by the ruling elites in the developing countries whose survival depends on the perpetuation of the existing exploitative and oppressive national orders. To quote the UNCTAD Secretary General, "the very need for a new order is still not universally accepted or even understood".²⁹ Nobody seriously contests that the existing economic order has created serious disparities in income and growth or that some of the more irksome distortions need to be straightened out. But when it is suggested that the order is basically unjust, profound reservations begin to assert themselves. If the developed countries were to accept that the present system is unjust it would make complete nonsense of their history; more, it would create a moral compulsion among the people to take immediate steps to remedy the past inequities and to establish a fair and just arrangement. The people must not be allowed to know what has been done in their name. The West is beginning to call itself the North to get rid of the stigma of colonialism. Now when western imperialism is attacked the Northerners will not have to relate it to their hemisphere. The common man in the West is unaware of the misery and distress, occasioned by his way of life, in distant parts of the world with which he has no contact.

The media present to him the Third World, and its problems, as a threat to his prosperity. When the price of a gallon of petrol goes up by a whacking 50p in less than 4 years, and an average Englishman has to do without central heating, he cannot be expected to view without a shiver the spectacle of strange men of the desert, in flowing robes, buying British luxury hotels and country houses. He does not see those millions of destitute people representing two-thirds of the human race who live on less than 17 pence per day. If he could be convinced of that reality in a direct and personal way, it is my belief that he would not permit for a moment the continuance of a system which produces such gross disparities and calamities. But the world is not run by ordinary men and women. It is run by bankers and multinational companies who control human lives through their equity holdings in mass media. In a Report to the Club of Rome, published in 1977, Jan Tinbergen writes: "We have today about two-thirds of mankind living – if it can be called living – on less than 30 cents a day. We have today a situation where there are about 1 billion illiterate people around the world, although the world has both the means and technology to spread education. We have nearly 70% of the children in the Third World suffering from malnutrition, although the world has the resources to feed them. We have maldistribution of the world's resources on a scale where the industrialised countries are consuming about twenty times more of the resources per capita than the poor countries."³⁰

The talk by western statesmen of restructuring the existing economic system or of replacing it by a new order is largely phoney. The developed countries could not hope for a more benign dispensation. Their only anxiety is that some other power may not out-manoeuvre them, so they must keep the areas under their control in a state of hopeful suspense and sufficiently alive to the dangers of looking for their salvation in any other direction. The ruling elites in the Third World have no desire or intention of introducing such hazardous principles as equality and justice in their economic system at home or abroad as that would inevitably lead to their own elimination. So we have a coincidence of interests, and a collusion of approach among the ruling elites in both groups of countries, developed as well as the developing, to perpetuate the *status quo*. This perpetuation will go on so long as the ordinary people in the West do not see the hovels, the dust tracks and the stagnant pools which are symbolic of the existence of millions of breathing carcasses and human heaps of stench in the Third World. And so long as the alienated ruling elites, educated, trained and skilled in maintaining and manipulating post-colonial systems and institutions retain political control in the developing countries, there will be no change, qualitative or quantitative, structural or superficial, substantive or peripheral.

The last two centuries of material progress dominated by secular thought, and its twin instruments of capitalism and socialism, are coming to an end. Pierre Elliot Trudeau, the Prime Minister of Canada, said during the Commonwealth Prime Ministers' Conference in London in June 1977 that liberal governments were no longer finding it possible to establish a fair and disciplined social system. He added, "What we really need now are philosophers or churchmen or moralists or somebody who can make the people understand that the magic and the solution will not be in some Keynes but it will be in some return to restraint and discipline."

When the Paris North-South Dialogue produced yet another deadlock, the head of the Tanzanian delegation sighed, "We looked for a tiger, they offered us a mouse." A contributor writing in the June issue of *Commonwealth* pleading passionately for continued search for a solution suggested: "Somewhere between a mouse and a tiger there just might be an acceptable donkey that is capable of bumping the world's trading system down the road of dialogue and cooperation. It's a donkey worth looking for."³¹ While Mr Trudeau waits for a philosopher, a churchman or a moralist, *Commonwealth* would be content with "an acceptable donkey".

At a more earnest level Mesarovic and Pestel in the Second Report to the Club of Rome in 1975 concluded, after reporting the results of a detailed computer analysis, that (i) the current crises of the world are not temporary, (ii) the solutions can be developed only in a global context, (iii) the solutions cannot be achieved by traditional means confined to isolated disciplines such as economics: "What is really needed is nothing short of a complete integration of all strata in our hierarchical view of world development — that is, a simultaneous consideration of all aspects of mankind's evolution . . ."³²

The authors argued that what needed to be developed was "a world consciousness", a "new ethic in the use of material resources", a "new attitude toward nature based on harmony" and a "sense of identification with future generations". If this is the diagnosis of qualified western specialists, then I sincerely believe that they have something to gain by objectively examining the world order which Islam represents.

Section VII

Every social or economic order is based on some abstract assumptions which a community comes to regard as the truth, providing a basis for its whole scheme of values. Such a scheme of values is converted into concrete pursuits and goals through a prolonged process of commitment — whether such commitment is secured by persuasion (evolution) or

coercion (revolution) depends on a variety of factors which need not detain us here. The important thing is that these philosophic and abstract assumptions are distinguishable from procedural and institutional details which are developed by each community over a period of time. When we talk of the capitalist economic order we recognise it by free enterprise of private capital just as the socialist economic order is recognised by state ownership of the means of production. These two fundamental concepts are enough to identify the two systems. But when the Islamic order is mentioned one is immediately expected to present a comprehensive system worked out in all its details, supported by authoritative historical evidence to demonstrate its practicability, along with a complete statement of its institutions and their exact operations. I do not propose to make any such presentation. I shall concentrate on explaining the fundamental assumptions on which a truly Islamic Order can be evolved and it will be my endeavour to show that the Islamic assumptions are radically different from the ones which sustain the prevailing economic order. Once the assumptions are identified, the details of the system can be revived and developed in accordance with the requirements of the time.

The Islamic Order is based on a view of life which is regarded by the West as too vague and insufficiently supported by historical evidence. The western approach to Islam is dominated by two assumptions: (a) that Islam was some kind of a super-tribal order which, in its time, introduced certain improvements in society, but contributed nothing of permanent value to human thought and (b) that Muslims, bound by a rigid tradition, have refused to distinguish between the sphere of the Church and the sphere of the State and this failure has contributed to their decline and stagnation relieved by occasional revivalist fervour. These notions have been assiduously propagated by a group of political scientists and sociologists who have consistently imposed a highly personal, and often arbitrary, construction on Islamic ideas and history. To give but one example, I shall examine one or two points in Professor Montgomery Watt's *Islamic Political Thought*.³³ I have singled him out as being one of the better, and therefore more influential, of the western scholars on Islam. Professor Watt considers the socio-economic situation in Arabia in the beginning of the 7th century, and takes note of the arrival of Muhammad on the scene. He starts with the statement that "the religious movement begun by Muhammad had no obvious political relevance"³⁴ and then suggests that Muhammad's contemporaries saw that his claim to be the Messenger of God was "a potential basis for political interference."³⁵ This fear, he argues, may have been based on the feeling that an ordinary Arab might come to regard Muhammad as a person who knew better than those who had no access to the divine source of

wisdom. Though Muhammad's proclamations were primarily religious "the religious ideas they contained were a response to the total situation in Mecca."³⁶ Since the chief tension at that time may have been between the requirements of commercial life and nomadic traditions, Muhammad's ideas accentuated this tension. There was, therefore, considerable resistance to Muhammad's ideas even though the political potential of his ideas was not realised in Mecca.³⁷ He migrated to Medina in 622 and this, according to Professor Watt, "marks the beginning of his political activity."³⁸ Muhammad was able to establish a new body politic through the agreements which he entered into with the clans of Medina. It was Muhammad's success in hostilities with the Meccans that put him in a commanding position. "By the time of his death in June 632, despite rumblings of revolt, he was in control of much of Arabia."³⁹ The Islamic State had certainly come into existence by that time, though it had "no previously defined geographical frontiers."⁴⁰

Professor Watt then turns to the Constitution of Medina which he sums up in five paragraphs. He makes a general comment that "this document is no invention of a political theorist but is rooted in the mentality and *mores* of pro-Islamic Arabia."⁴¹ Pre-Islamic society, he says, emphasised "the maintenance of security by a high degree of social solidarity"⁴², though "there was no sense of a general duty to another man based on the fact that he was a fellow human being."⁴³ The main instrument by which solidarity was maintained was revenge, and any incident involving the murder of one member of a group involved the whole group. Muhammad's emphasis on the unity of mankind and the solidarity of the human race was nothing but an extension of the tribal traditions of solidarity. The Prophet of Islam added the idea that revenge was not essential, and that if the aggrieved party decided to forgive the aggressor, such a course of action would be approved by God, but this was not an original idea: the possibility of accepting blood money or a blood-wit "may have been introduced shortly before the time of Muhammad".⁴⁴ No evidence is offered. The concept of solidarity is linked to the custom of protection and it is concluded that the Constitution of Medina is closely "related to the pre-Islamic system."⁴⁵

Despite this conclusion, Professor Watt does not reject the historical phenomenon that the Islamic emphasis on the solidarity of the community turned out to be somewhat bigger than the concept of protection. He also accepts that whereas in the pre-Islamic custom the kinsmen of a person who committed murder were bound to support and protect him, under the Islamic system the kinsmen were required to see that he was punished. He adds: "... most revolutionary of all, where one member of a community has committed a crime against another member of the community, the kinsmen of the criminal, instead of supporting

him according to pre-Islamic custom, are to help to see that he is punished."⁴⁶ But he insists that this revolutionary change was not Muhammad's contribution.

He then spends considerable time in trying to understand the meanings of the word *Ummah*. According to his understanding the word *Ummah* does not appear in the Qur'an after the year 625 "perhaps because the Jews of Medina had been making fun of the word in some way."⁴⁷ In his view the word is borrowed from the Hebrew word *Ummah*, meaning the tribe, which in turn may have been borrowed from a Sumerian word. The word could only mean "tribe", and on this basis he advances the view that the Islamic State was conceived in terms of the pre-Islamic tribe: "It was essentially a federation of tribes", and he notes with approval Bertrand Thomas' suggestion that it was a "super-tribe". How does the word occur in the Constitution of Medina which was signed in the year 629? Perhaps, he suggests, "the articles containing it were repeated from an earlier document."⁴⁸ Professor Watt does not refer to the Qur'anic phrase *Ummatan Wahidah* which means "a single nation". In Chapter II. 213 of the Qur'an, the meanings are clarified when it is said:

*"In the beginning were a single people. Then Allah designated for them prophets as warners and bearers of good news and with them he sent the Book of Truth to settle the differences among them."*⁴⁹

In the context in which the word *Ummah* is used with reference to people, it embraces the whole of mankind with the believers acting as a central community. The Qur'an addresses mankind throughout as an indivisible unity. Admittedly, the people are divided into groups and nations but these divisions are no more than marks of recognition. The inherent oneness of man is the core of Qur'anic thought. Professor Watt wrenches the word *Ummah* from its context and decides to interpret it according to a speculative and pre-conceived position. He says: "The original *Ummah* of the Constitution of Medina may have been regarded as something special, not entirely covered by pre-Islamic ideas: but if so, this is nowhere clearly stated. The modern scholar is, therefore, justified in regarding the political structure of the Islamic State as entirely in accordance with pre-Islamic ideas." Both these statements (a) "this is nowhere clearly stated" and (b) "entirely in accordance with pre-Islamic ideas" are inaccurate. I suggest that the special meanings of the *Ummah* intended in the Constitution of Medina are clearly and unambiguously stated in the Qur'an and, in fact, removed from the Qur'anic text, the word cannot be understood in the document at all. The second statement is inaccurate because Professor Watt acknowledges that Islam introduced several significant modifications in pre-Islamic ideas and in

one respect, at least, the modification was revolutionary. His conclusion that the document is *entirely* in accordance with pre-Islamic ideas is, therefore, inconsistent with his own position. Why does Professor Watt prefer to rely on an unusual, instead of the accepted, interpretation of the Qur'anic text? Is it because he is unwilling to acknowledge that the Qur'an introduced any fundamental change at the intellectual level in the situation which was prevalent in pre-Islamic Arabia? He cannot possibly ignore the total transformation which occurred as a result of the message communicated to the people by Muhammad, but he regards this transformation, not as the result of any intellectual advance or creative change, but as a fortuitous combination of historical accidents. He constructs his case methodically. Step One: he assumes that "Muhammad wanted to have a local community or body politic in which he would be free to proclaim his religion and the Muslims would be able to carry out their rites publicly."⁵⁰ No evidence is offered, and it is well to remember that nowhere in the Qur'an is it suggested that Muhammad was to convey his message to the "local community". His message was for the whole of mankind. To restrict the purpose of the message to the fulfilment of certain "rites" is arbitrary, because in Muhammad's mission "rites" were not separated from the total conduct of man. Step Two: "The men of Medina may also have had other aims but at least many were Muslims and in favour of having a place where their religion could be practised." Again there is no evidence to support this proposition. Step Three: following thence, Muhammad and his men found an opportunity in Medina to devise a political structure under which Islam could be practised. It would have been unnatural for them, says Professor Watt, "to devise some completely novel political structure." The natural thing would have been to "create a structure in terms of the political concepts with which they were familiar", and this is what they should be presumed to have done. One cannot quite follow the logic here, but if one accepted the theory that political structures must always be based on ideas with which one is familiar, then one must reject all possibility of creative or revolutionary change.

Professor Watt arbitrarily divides the Prophet's Message into the religious and the political, and suggests that the religious part may have been present in the motives leading Muhammad to seek an agreement with the tribes in Medina, "but the details of the agreement were in terms of pre-Islamic political concepts." He finally concludes, on the basis of speculation and assertions unsupported by any data, that the Islamic State in its origin "was based on, and exemplified, pre-Islamic political concepts."

My purpose is not to offer a comprehensive refutation of Professor Watt's ideas and not all the western scholars agree with him. But he

represents a typical approach to Islam and a familiar analytical technique. I suggest that there is a definite need for an objective and dispassionate understanding and evaluation of Islamic thought and history in the West. In the following sections, I shall attempt to define the fundamental principles of the Islamic Order and to indicate the outlines of an economic system within that Order.

Section VIII

The Islamic Order is based on "the sovereignty of God" which is supreme and immutable, as against "the sovereignty of the people" which can be exploited or suppressed. I quote some of the relevant verses of the Qur'an:

- "All power emanates from God, as it always has" (Al-Qur'an XXX. 4)
- "To God belongs the kingdom of heaven and the earth" (Al-Qur'an II. 107)
- "And in His kingdom, God has no associate" (Al-Qur'an XXV. 2)
- "To Him belongs the Creation and the decision" (Al-Qur'an VII. 54)
- "The decision rests with God and with no one else" (Al-Qur'an VI. 57)

The position of Government in an Islamic Order is in the nature of trusteeship. In its organisation and operations, an Islamic Government must, at all times, be conscious of the mandate contained in the Qur'an and the *Sunnah*, which represents the ultimate authority in all matters, legislative, judicial or executive.

"And those who do not decide according to the revealed will of God are transgressors" (Al-Qur'an V. 47).

Prophets are the messengers of God, who were designated to communicate the will of God to the people, and it is in this sense that obedience to the prophets means obedience to God.

"And whomsoever We have designated as messenger he would be obeyed on behalf of God, and in accordance with His instructions" (Al-Qur'an IV. 64)

Caliphate, the traditional form of Government in Islam, rests on two basic concepts: (a) its character as a trustee and (b) its recognition by the people on a free and voluntary basis. If either of these concepts is lacking the Government ceases to be Islamic in character. An Islamic Government must, therefore, be legitimately representative of the people and function as a trustee, in accordance with the mandate set out in the Qur'an. Where a Government or a Caliph fails to act in accordance with this mandate, he turns into an autocrat and a rebel.

No individual or family has any claim to Government for this belongs to the community as a whole, once the community has established a state for itself, in accordance with the principles of the Qur'an. Syed Maududi refers to verse 55 in Surat An-Nur to illustrate this point: It is God's promise that those people who believe and act righteously will be established as His deputies on earth, like those who preceded them. Clearly the position of deputy belongs to the community, and no individual, whatever his lineage or status, can appropriate to himself the collective rights of the community. In electing or appointing persons to positions of responsibility the overriding consideration should be to choose *"those who are worthy of trust"* (Al-Qur'an IV. 58). Once representative government is established, the powers of the government and the rights of the citizens are determined by the mandate under which the government functions. One must not obey an order which is not in conformity with the Qur'an and there could be no question of rendering homage or obedience to a wrongdoer (Al-Qur'an LXXIV. 24).

The establishment and the working of the state must be in accordance with the consensus of the community:

"And it is the duty of Muslims to run their affairs on the basis of consensus" (Al-Qur'an XLII. 38).

The structure of the state is based on obedience to God and His Prophet, and this takes precedence over all other claims to obedience. If a government or a ruler demands compliance with his orders, these orders must be manifestly in conformity with the Will of God. Those who occupy positions of authority must be people of virtue and deserving of the trust reposed in them. The people have an inalienable right to disagree with their governments and all such disagreements must be resolved by an independent judicial forum, free of all influences and pressures, in accordance with the Qur'an and the *Sunnah*.

The objectives of the state should be: (1) to establish justice and to eliminate tyranny and oppression; (2) to utilise all the resources and capabilities of the people to establish an Islamic way of life in which all that is good and proper is promoted and all that is harmful and evil is discouraged.

Justice is the heart of the Islamic Order:

"I have been ordained to establish justice among you" (Al-Qur'an XLII. 15).

The Prophet was required to act with complete detachment and impartiality in all matters among the people. He could not entertain any bias or prejudice and it was part of his mission to establish complete

equality of relationship among the people. In this matter there was no distinction between rich and poor, big and small, and even between those who were his followers and those who were against him. What was right was right for everyone, and what was wrong was wrong for everyone. The Prophet said: *"The communities which preceded you were destroyed because they punished the poor according to the law, but failed to call the rich to account. I swear by God, who has my life in His control, that if my own daughter Fatimah were to be found guilty of theft, I would cut off her hand."*⁵¹

I quote from Surat An-Nisa:

"O believers, uphold justice and bear witness for the sake of God even though your decision and evidence may affect your person or your parents or your relations. The parties to a dispute may be rich or poor God is interested more than you in their welfare. So do not hesitate to act justly because of your own inclinations. Should you prevaricate or hesitate to face the truth you will have to account for it, for God is aware of what you do." (Al-Qur'an IV. 135).

Sayyid Qutb Shahid refers to the incident when the Prophet resented Ibn Umm Maktūn's intrusion when he was talking to Walid ibn Mughīah, a tribal chief, and invited *"a divine reminder bordering on displeasure."*⁵²

All citizens in the Islamic State must have equal rights irrespective of their colour, race, language or nationality. *"O people, We created you of a man and a woman, and separated you in tribes, and nations so that you may be able to identify one another. The truth is that there is no distinction among people in the eyes of God, except in terms of virtue. The most honoured among you is the one who is the most virtuous."* (Al-Qur'an XLIX. 13).

Government must be based on trust, and the affairs of the state must be handled by people who are worthy of trust; there is no scope for anyone to violate the trust. Under this scheme those who exercise authority are fully accountable for their conduct.

"O Muslims, God commands you to entrust responsibility to those who are capable of discharging it. And when you determine between people do so justly. This is invaluable advice from God, Who hears and sees everything." (Al-Qur'an IV. 58).

The Prophet said: "Remember, that everyone among you is a ruler, in a sense, and responsible for those over whom he exercises authority. Everyone is accountable for his conduct, including the biggest among you who exercises authority over the rest."⁵³

The Prophet told Abu Dharr: "Abu Dharr, you are a weak person and the affairs of the state are in the nature of a trust. On the Day of Judgement anyone who has failed to discharge the trust with complete justice and honesty will face humiliation."

Finally, the government must be run according to the consensus of the community. The government should be elected on the basis of consensus and the affairs of the state should be administered on the basis of mutual consultation and consensus. The Prophet is enjoined:

"Consult your people in the affairs of the state." (Al-Qur'an IV: 159).

Section IX

The principles⁵⁴ which govern the establishment and administration of the State also regulate the Islamic economic order. Two preliminary points should be stated. The first is that Islam visualises human life as a single integrated unit, based on belief in God as the Creator. This determines man's thought and conduct in all its aspects. All spheres of life are indivisibly linked with one another. The same belief which prompts an individual to offer his prayers governs his commercial transactions, and his educational and recreational pursuits. The principles which regulate the performance of *Hajj* or the observance of fasting also regulates the judicial process and methods of business. There is no such thing as a religious order, a political order or an economic order in Islam. They are all part of the same human order, indissolubly linked together, each sustaining the other, and consolidating the whole as a cohesive unit.

The second point is that the Qur'an does not prescribe a detailed economic framework where all fiscal and monetary issues have already been examined and resolved. The Qur'an lays down certain fundamental universal principles on the basis of which we are required to evolve an economic order to suit the requirements of our times. This is how Islam deals with all aspects of life: the broad parameters of different spheres are identified and these constitute the limits within which society must regulate its development. These limits must not be transgressed, if the social balance is to remain intact, but within these limits we are free to determine the design and pattern of our life in the light of our circumstances, needs and experience.

Let me now state the guidelines which regulate the Islamic economic system:

1. The natural laws of life as recognised by the community should not be interfered with;
2. Statutory and mandatory provisions of law alone cannot produce a just and equitable economic arrangement. The emphasis should be on cultivating the right moral attitude and approach;
3. State machinery should intervene only when it is considered absolutely necessary by the elected representatives of the people.

In accordance with these guidelines specific principles are evolved to govern the growth of economic life.

First, the individual's right to earn his livelihood according to his aptitude, capacity, and effort is fully recognised and guaranteed by the state. What is not permitted is the acquisition of wealth or income through means which disturb the social order or violate social values. Islam insists on unqualified recognition of the distinction between what is earned rightly, and what is earned wrongfully, as specified in the Qur'an.

Having guaranteed the individual's right to earn his livelihood, according to his capacity and by legitimate means, Islam defines the area in which the individual can exercise his right to spend what he has lawfully earned. The purposes for which expenditure may be incurred must also be legitimate and lawful as specified in the Qur'an. You cannot squander your wealth or employ it in a manner which is not permissible or which may cause annoyance to others or give them a sense of inferiority.

Saving is encouraged, but it must not deteriorate into hoarding or accumulation of wealth to the detriment of others. An individual must know that the community has a claim on his earnings and must be willing to part with what he can afford for the sake of those who may be in genuine financial difficulties.

When it comes to investment there are clear injunctions in the Qur'an that wealth or income cannot be invested in such a manner as would enable the owner to earn interest. The Qur'an prohibits interest in all its forms. Various scholars have been at pains to distinguish between usury and interest, while others have tried to make a distinction between interest earned on different kinds of investments. This question has been discussed at length by Syed Maududi. The relevant word in the Qur'an is *riba* which means "increment" and covers both interest and usury. *Riba* is distinguished from the word *bay'*, meaning income earned through normal trading operations, which is perfectly legitimate, while *riba* in all forms is completely forbidden. The clearest injunction on the subject is contained in Surat Al Baqarah:

*"But those who exact riba
turn rabid as if touched by Satan.
They delude themselves when they claim
after all trading is a form of riba.
But God has forbidden riba and permitted bay'"* (Al-Qur'an II. 275)

This verse states the general position and verse 279 in the same Surah indicates the extent of transgression involved in continued extraction of riba.

*"O believers, fear God and write off outstanding riba if you truly believe,
But if you do not then you must know that
You are in open hostility to God and His Prophet."* (Al-Qur'an II. 279)

Syed Maududi comments that such strong language has not been used in the Qur'an in respect of any other violation. The Prophet made it imperative that the economic system should not be based on riba in any part of the Muslim Empire. A contract which the Prophet entered into with the Christians of Najran contained a clear provision that if the Christians engaged in any business based on riba, it would render the contract null and void. After the conquest of Mecca, the Prophet cancelled all claims based on interest due to Banu Mughira, and instructions were issued that if Banu Mughira were to insist on the repayment of interest then war would be waged against them. The recipient, as well as the one who pays interest, and the one who drafts a document based on interest or witnesses such a document, all stand condemned.

We can now take up the question of individual ownership. There has been considerable controversy on this point, and it is sometimes suggested that the individual's right of ownership should be restricted to consumer goods and not to the means of production. It has also been said that this right should apply only to earned income and not to unearned income. The Qur'anic injunctions on the subject can only be understood within the total framework of the Islamic Order. Since an individual's right to earn and to spend is regulated by clear provisions, and is made subject to certain limitations, it would be wrong to assume that the individual has an absolute and unrestricted right of ownership to private property. For one thing the property which he acquires must be acquired through personal effort and by legitimate means, which also means that the extent of the property so acquired must be commensurate with the individual's effort. His right to retain such property is also regulated by certain provisions. The only exceptions are inherited property or income obtained through the distribution of *zakat*.

Inherited property must be legitimate property. Any property acquired through illegitimate means, either through exploitation or as a

result of undue favour, would not become legitimate through inheritance. An item of stolen property would remain liable to confiscation by the state whether it is found in the possession of the person who committed the theft or of one who inherited it from him. In the same way, if a right or property has been acquired wrongfully, it would be liable to cancellation or confiscation by the state wherever it might be lodged at a particular time as a result of the application of the law on inheritance.

This principle has far-reaching consequences, as it applies to all titles, *jagirs*, land-holdings, gifts or lease-rights acquired by an individual through the magnanimity of a ruler or a person temporarily in control of an area. Whether such a title was acquired in accordance with the limits recognised as legitimate by Islam would be a question of fact to be determined in each case. But unless it is established that the original title was legitimately obtained, it would be liable to cancellation. Syed Maududi says: "Where *jagirs* or awards are given to courtiers and sycophants, or they have been given by tyrants and oppressors to persons who have acted against the public interest, they are all liable to confiscation."⁵⁵ He recalls the reply given by Imam Abu Yusuf when he was asked by the Abbasid Caliph, Haroon Ar Rashid, about the ruler's right to grant *jagirs*. The Imam said there was nothing illegitimate in the granting of a *jagir* by a ruler to a citizen but neither all rulers nor all recipients of grants could be placed on an equal footing. There are just rulers who make grants with due care to persons who are the true servants of the people. Such grants are in order. But there are others who are unjust and show favours to persons who act as instruments of their oppression. Awards made by such rulers are liable to confiscation. Islam thus clearly delimits the area of individual ownership and the freedom which an individual must have within that area subject to the overriding provision that all property and income is in the nature of a trust. This also lays down the limits on state ownership. If the right of individual ownership is abolished and all means of production come under state control it would seriously curtail individual freedom and this would militate against a basic Islamic concept. But the state has the inherent right to regulate and control economic activities in the interest of the community.

While recognising individual ownership, Islam insists on equitable distribution of wealth as distinct from equal distribution of wealth. This distinction is based on facts of life which can be observed. While every individual must be assured of complete equality of opportunity, status and rights, no two individuals are identical in all respects. The variations among individuals result in differences arising from the relative ability of different people to take advantage of equal opportunities. Despite these differences, the distribution of wealth must at all times conform to a fair and equitable pattern. This is ensured through the institution of *zakat* and

the laws of inheritance. *Zakat* is not a tax. It is a form of devotion and of social obligation. There is an element of compulsion in the imposition of a tax. No one likes being taxed. Few recognise the reasonableness or need of all the taxes, and many resort to evasion of taxes by different means. The basic concept of a tax is that it is levied in return for certain facilities provided to the community, including the individual who is taxed. It therefore becomes a form of contribution which one makes in one's own interest and in proportion to one's income. *Zakat*, on the other hand, is a moral obligation. A citizen offers *zakat* voluntarily and without any compulsion. He makes his contribution according to his own assessment of his wealth, and he expects to derive no personal benefit from what he gives away. The entire amount of *zakat* collected by the community is meant for those members of the community who, for some reason, find themselves unable to earn a living. Such inability may be permanent or temporary. *Zakat* is calculated at the rate of 2½% of wealth annually and is deposited in a common community fund. There are rules regulating the utilisation of the community fund, but principally the fund is intended to serve as an insurance for the aged, the disabled and the less fortunate members of society. It is important to remember that payment of *zakat* does not constitute an act of charity. It represents the community's claim on a citizen's wealth, which is automatically encashed annually. The community fund is a trust held on behalf of the people. Nothing is received in this fund or spent out of this fund in violation of law, and no part of the fund is available to meet the expenditure of anyone who occupies a position of authority. Sayyid Qutb said: "*Zakat* establishes an economic system on the basis of collective self-sufficiency and cooperation which does not have to rely on interest."

The equitable distribution of wealth is further ensured in Islam through the operation of detailed laws of inheritance prescribed in the Qur'an. There is an injunction in the Qur'an which requires the community to ensure that: "*Wealth does not circulate among the rich.*" (Al-Qur'an LIX. 7).

What is the place of labour, capital and organisation under an Islamic system? Islam treats land, labour and capital as factors of production, each serving the individual to exercise his right to take full advantage of equal economic opportunities. So long as these factors of production are employed in a just and collectively beneficial manner, the state does not interfere with the individual's freedom to utilise these factors of production within permissible and legitimate limits. But where an individual uses any one of those factors to the detriment of those who may be in possession of the other factors, then the state must intervene to ensure that principles of equality and justice are not violated.

Finally, the question whether an economic system not based on interest can be evolved in modern conditions. The unanimous view of Islamic scholars is that such a system can be evolved but only within the context of an Islamic Order. Historically, an economic system which was not based on interest in any form remained in existence for several centuries. Prior to the emergence of Islam, interest was as much a part of economic life as it is today. Islam prohibited interest and changed the whole economic order. Interest was forbidden first in Arabia and, thereafter, it was abolished wherever Islamic government was established. The Islamic economic order remained in existence for several centuries. According to the Islamic view an economic system dependent on interest can never create just and equitable social conditions. Since the proposed New International Economic Order assumes the continuance of interest in market-economy countries, it can never achieve the objectives set out in the General Assembly Declaration of May 1974.

The main guidelines for man's conduct in the economic field are given in Surat An-Nahl:

"God instructs you to cultivate justice and benevolence and consideration towards dependants. You must avoid evil, obscenity, tyranny and excess. These are instructions for you to observe." (Al-Qur'an XVI. 90).

The first is the principle of justice which has been explained and the second is the principle of benevolence. The word in the text is *ihsan* which has been interpreted by scholars in a variety of ways. It is at once a combination of grace, understanding, and a willingness to be of service to others. It is a measure of an individual's regard for the others. When you are willing to take something less than what is due to you by right in consideration of the needs of the others, such a gesture would be regarded as *ihsan*. Syed Maududi says, "If justice is the basis of society, *ihsan* is its beauty."

The third principle requires one to show consideration towards one's dependants and relations. A person who has the necessary resources must recognise that his dependants and relations, if they are in distress, have a claim on him. A person of means who allows his relations to live in ignorance, poverty or disease and affords them no help, fails to discharge a solemn obligation. An Islamic economic system does not visualise the existence of little islands of luxury in a sea of poverty at a local or an universal level.

As against these positive principles, there are three prohibitory directives. First, you must avoid obscenity which would include all activities regarded as harmful to society. Second, you must not indulge in what is specifically forbidden. Third, in your conduct you must not transgress

the bounds of moderation, a concept which ensures respect for the rights and feelings of others.

Sayyid Qutb Shahīd lays stress on the collective self-sufficiency of the Islamic economic order. A society in which every individual is engaged in amassing wealth and profit without any consideration of what happens to the others in the process can only produce harmful results both from the individual and the community. There is a collective framework representing the interests of the community as a whole, and this circumscribes the field of individual freedom. Any violation of this framework which occurs as a result of the exercise of his rights by an individual would lead to social tensions and eventual disintegration.⁵⁶

The contentment of the poor is a moral obligation. Certain Qur'anic texts on the subject have been deliberately misinterpreted to convey the idea that Islam requires the poor to accept their condition without protest. Nothing could be further from the truth, comments Sayyid Qutb Shahīd. When the Qur'an asks the people not to be envious of the wealth of others, it does not enjoin them to reconcile themselves to inequality, injustice and oppression. He blames certain scholars for propagating this idea to serve the interests of the ruling classes. Their purpose was to stop the people from asserting their legitimate rights. The real purport of the Qur'anic verses on the subject is that those who are unjustly deprived of their rights must not succumb to a feeling of helplessness because their oppressors are men of means and have access to instruments of control. They must assert their rights collectively and forcefully. Sayyid Qutb Shahīd quotes the Prophet: "When the people watch a tyrant, and do nothing to restrain him, they must prepare for their own destruction."

In the Islamic economic order there is a great emphasis on the dignity of labour and the basis of this is that the worker is entitled to a share in profits with the employer. Some Māliki jurists go to the extent of giving the employee an equal share with the employer in profit.⁵⁷

Professor Muhammad Qutb sums up in a precise and eloquent passage the essential characteristics of the Islamic economic system: "Islam bases its economic structure on freedom of action, coupled with a relationship of complete cooperation and exchange of mutual services among all individuals. The Islamic government, as such, acts as a guardian and custodian of all such people as happen to lag behind in the struggle of life for some reason, and are denied all amenities of a decent living. Thus with all the resources of the state at his backing, no man need become a bondman. Islam provides for all his basic needs without allowing him to compromise his independence, self-respect or honour."⁵⁸

Is the Islamic economic order an attainable reality? As Muslims we all claim it is. The conditions prevailing in the Muslim countries offer a stark denial of this claim. There are almost fifty independent sovereign

Muslim states, and not one of them has adopted the Islamic order in its true sense. Are the Western scholars then not justified in saying that the Islamic order, whatever it might mean in theory, has no practical validity? Together the Muslim countries have all the resources which they require for their economic growth but most of them present a picture of appalling poverty. All the riches and the resources are in the hands of a few persons. The rest are left to struggle for survival. Should the world not conclude that the principles of equality, freedom and justice have no meaning for the Muslims? The Muslims must be among the most backward and suppressed people in the world – suppressed and kept backward not because they are retarded but because of the ruthlessness and avarice of their ruling classes. Is there an inch of ground in the Muslim world today where one can stand up and utter a word of truth without fear?

Sayyid Qutb Shahīd was executed. Syed Maududi was sentenced to death and spared because of a legal flaw. Professor Muhammad Qutb languished in prison for several years. Scores of scholars and writers and thinkers are lodged in prisons all over the Muslim world where they are subjected to inhuman treatment. All because they dared to speak the truth. Sayyid Qutb Shahīd, not long before his death, said that a new class must grow to replace the existing elite if the situation in the Muslim world was to be changed and brought into conformity with the Qur'an and the *Sunnah*. It is futile to expect the present rulers, Presidents and Prime Ministers, Kings and Queens to change the present order. It is the people to whom the appeal must now be made directly, bypassing all repressive national systems and arbitrary geographical barriers. The 700 million Muslims of the world must now make a choice either to reconcile themselves to their present state of humiliation and deprivation, or collectively to assert their right to change their destiny. The first inescapable step in this direction is the elimination of repression and inequality at home. If the right choice is not made, Islam will not have failed the people; the people will have failed Islam. But I have full faith in the words of the Prophet: "My community will never concur in error."

8 The Islamic Approach to Economic Activity and Development

Khalid M Ishaque

Under-development and Poverty

Under-development is a state with universal characteristics foremost among which is widespread poverty. In an impoverished social life the supply of goods or services and ideas is far less than the basic requirements for a decent and materially and spiritually meaningful existence. The shortages are traceable either to the lack of will to produce more, or the lack of manpower with requisite skills. Lack of capital, in some cases, is also an important factor. In the intellectual field creative individuals feel alienated and hibernate in a mood of sullen indifference. Services by bureaucracy both in public or private sectors are slovenly, wasteful in terms of time and money and indifferent to individual needs. Intellectual debate is also carried on at a level which every participant admits in private to be nothing more than a charade. Its main use is to invent specious reasons for supporting the *status quo*, securing a meal ticket for some, or projecting some individual's image. On the assumption that the problems are remediable, the current ideological debates in the Third World concern themselves primarily with ways and means to remedy the ills of under-development.

New Imperialists

One element which by common consent has thwarted the will, the skill and the means to produce more has been the Imperialism of the First World and more recently of the Second World. The new Imperialism succeeding the old political and military domination of the 19th century has, by use of diverse overt and covert means, prevented the development of the areas now generally identified as the Third World. From the countries rich in oil or other mineral wealth, capital is sucked away by involving them in an unproductive arms race or actual armed conflict, and from countries relatively better equipped skilled manpower is sucked away by the process known as brain drain.

Kindness that Chokes Foreign Aid

Foreign Aid has become the most sophisticated weapon to push many a developing country into a debt-trap which permits no escape. The Third World is additionally being advised constantly that by adopting liberal democratic or socialist ideology their people can escape the pangs of poverty. Within the Third World by and large national self-identification based on region or religion has suffered a partial decline and the desire for increased economic well-being and power has become dominant.

Conflict of Democratic and Socialist Objectives

Though in their slogans leadership in most under-developed countries has attempted to combine the ideals of liberal democracies with the proclaimed egalitarianism of Socialism, in practice the trends have been distinctly in the direction of bureaucratic, centrally-planned totalitarianism. Private enterprise has been dealt with more as a political threat, to be cut down to size, to provide room and opportunity for the rise of new elites, than as a sector performing an important economic role. The desire to boost and direct economic development has provided stock justification for major intervention in the private sector. Advice by imported experts has often provided added justification for more and more controls and regulations. The widespread faltering growth rate is explained, following the practice of the Second World, in terms of covert sabotage. Enemies of the people, reactionaries, foreign agents and wreckers are discovered in every nook and corner. The determination to destroy all enemies and the idea, borrowed from Marxism-Leninism, that any attempt at total destruction of an opposition does not suffer from any moral stigma, adds an element of rectitude and recklessness to governmental suppression. The capacity to silence political protest or criticism makes rulers defiant and bold. Willy-nilly they start treading a path trodden a thousand times before. Intellectuals sullenly sit on the fence, uncommitted, uninspired and refusing to participate creatively.

Need for New Motivation

Convinced that such tendencies and the human suffering they cause are remediable, we shall first examine the currently offered options in the field of motivation, re-define the problem and then make some suggestions.

Western Theory and Models

In the West (the First World) human activity in the economic field is primarily directed towards individual gain. It was widely believed that competitiveness generated by each individual's drive for personal gain

would somehow bring about an overall harmony of interests and mutual gain. The West is only now discovering that this is not wholly true. Without moral or legal restraints the big fish tend to eat up the small ones. Even the most powerful legal instruments prove ineffective against the sophisticated machinations of an amoral capitalist order. Laws, the West is discovering, are ineffective, if not based on faith in a higher moral order. Secular law, for the poor, is often only a shield of straw. However, diffusion of political and economic power permits the numerically large but economically weak majorities to find allies in vote-hungry politicians. This alliance, *inter alia*, has paved the way for fairer wage structures and a wider sharing of the economic cake. Higher wages enable a person to satisfy his wants and fancies. But the mere consumption of goods does not satisfy the total needs of the human personality. Man moves from the quantitative to the qualitative aspects of life. Job satisfaction, it is now being realised, is an equally important factor, as is the opportunity outside work to pursue leisure and creative activities. The prospect of promotion and a sense of stability and security against arbitrary termination of services also play an important role.

The social structure in the First World by and large but grudgingly, accepts vertical mobility. It has on account of diffusion of political and economic power a built-in capacity for change, adaptation, innovation, experimentation and vertical movement within the community. The freedom it permits individuals involves risks for gain and for loss. Sometimes safe and immediate profits are wilfully sacrificed for risky but larger ultimate gains. Sometimes commitment to innovation and experimentation persuades many to wilfully take enormous risks. Based on an assumption that basic good sense permeates decisions of the community as a whole, the society permits individuals to follow their personal destinies within such limits as would permit other individuals the same or similar freedom to follow their stars. Social institutions are at least theoretically devised to maximise human liberty. Such are the theoretical foundations of the First World, but in actual modern practice no holds are barred, and exclusion of moral self-restraint is creating enormous problems, and putting the whole system of free enterprise under severe strains. The modern corporation is as ruthless and amoral as the bureaucracy in the socialist world. A point of difference however is that within the social set-up in the First World there is no absolute concentration of political and economic power to make it impossible to relieve the burden.

Socialist Model

In the Socialist societies yet aspiring to reach the material standards achieved in the First World, the motivational pattern is in one sense

simpler. The State controls all the sources of production and the party controls the State's bureaucracy. The economy is basically centrally planned and controlled. Workers at all levels are wage earners. The workers in relatively recent times have been encouraged to produce more, by more or less the same incentives as an industrialist uses within the capitalist world to increase the production in his factory, such as bonuses for reaching the prescribed targets, enhanced wages for efficiency etc. Yet over a period of time excessive dependence on Central Planning agencies has had its effect in curbing productivity and inventiveness. Recently attempts have been made to add elements of competition and necessary decentralisation to make competition real and meaningful, yet the dominant motivational factor remains the element of terror that the State possesses as its monopoly and by and large utilises to achieve its economic objectives. The State takes by force what it wants, and dictates what it wants to be done, with the real threat that disobedience may involve extremely harsh sanctions. The annihilation of sections of a population can come about if the State's expectations are not fulfilled.

Failure in the First World normally means bankruptcy, poverty and languishing in the backwaters of the economic world. In the Second World it might well mean imprisonment and total deprivation. By and large the bureaucratic management in the Second World tends to be wooden, static and precedent-ridden. The insecure bureaucrat seeks security by passing on the responsibility to his superiors and by slavishly sticking to the letter of the law. The administrative machinery perforce becomes more and more centralised and wasteful. Wastefulness is inevitable because to avoid waste the *status quo* in economic arrangements needs to be criticised and changed: in a socio-economic set-up where politics dominate economic principles, bureaucrats often refuse to protest against measures which might prove economically disastrous because of fear of reprisals by the more powerful political elites. The desire for individual survival demands that a bureaucrat tread on no toes lest a hatchet fall on him from an unsuspected quarter.

The Recurrent Problems

The revolutionary party demands instant results which invariably become more and more difficult to achieve through a rattled, insecure and sycophantic bureaucracy. Before long, the Party leadership, keen to proclaim daily victories, finds it wise and convenient to join the bureaucracy to fill the gap between promise and performance by propaganda on the one hand, and by silencing critics on the other.

Chinese Solution

The Cultural Revolution in China was an attempt to avoid the tendency

in State-run economies to fall prey to the evils of bureaucracy. For this reason ideology was and is constantly emphasised, and political direction and control processes are considered a matter of prime importance.

Revolution

Revolutions were in their own way attempts, in the former, to compensate for motivation of material gains by ideological fervour, and in the latter case to avoid the pitfalls of bureaucracy and elitism. The Great Leap Forward in terms of an actual increase in productivity was a failure. People doubtless were grateful to Mao for the liberation from old yokes that he had made possible, but they were far from being converted to Marxism and the collectivisation that the Socialists preach as the high road to prosperity. The Cultural Revolution was a bold and somewhat desperate last attempt by Mao to keep alive the revolutionary principle, and to avoid the type of bureaucracy and consumer-oriented motivational patterns, that the U.S.S.R. had developed, and which almost every Socialist State was emulating. Mao is gone. Recent developments and particularly the willingness to open windows to the West show that the conflicts that led to the Cultural Revolution are far from settled. If materialism represents the ultimate truth it is hard to avoid the lure of material things. If there is no long future to look forward to, the here and now becomes extremely important. Doubtless China has so far maintained a certain amount of idealism, but the question still remains as to how long it can avoid the Russian road, given the inherent limitations of Marxism-Leninism.

Self-assessment of the Third World

The current self-assessment of the Third World is that it is poor, quantitatively generally and qualitatively invariably. The fervour with which official policies are inflicted on people neither dissolves nor effectively hides the confusion about national priorities and does little to improve popular initiative and commitment. Even for the removal of quantitative poverty, countries in the Third World need something more than mere capital investment to enhance industrial and agricultural production above the present levels. Investments in implements of production and manpower skills have not yet generated the expected results amongst those Third World countries who enjoy oil or mineral wealth, the return on investment in capital goods and skills is poor. Investment in consumer goods or war material has consumed an enormous amount of capital. In the case of oil-producing countries a very large portion of oil-revenue remains invested in the First World on a short or long term basis.

For countries that do not enjoy the benefit of valuable natural resources, capital is sought to be generated by tightening the belt on consumer goods, by resorting to foreign borrowing and by inviting foreign investment. The skilled hands created in countries that are short in capital investment tend to drift away to more profitable pastures; attempts to restrict them from doing so are largely ineffective.

By and large there is considerable similarity in the strategies for development devised, suggested or approved for the Third World, by the governing intellectual elites trained or influenced by the First or the Second World. It is primarily through state intervention: the First World suggests regulatory intervention, the Second World suggests total intervention.

State intervention is the universally accepted panacea for all the ills of under-development. The idea is pleasing to most ruling elites in the Third World because it provides justification for acquiring absolute power over men and material by the mere promise of bringing about a new order of peace and plenty. In the ultimate reckoning, however, the limits of intervention and its effectiveness are determined in the Third World by the quality of commitment of the leadership and its sagacity in the choice of options. Unfortunately, most leaders not knowing much about the social basis of power tend to ride roughshod over people. The strength of any leadership lies in its capacity to obtain a response to its bidding without having to resort to force. This in turn depends on its credibility, i.e. on the faith in the responding public that what they are being asked to do is in their own interest. In other words, true leadership is based on a continuing exchange, the leader doing something to benefit the people, the people in turn increasing their trust in his judgement and responding to his call. The true extent of a leader's power is equal to the authority he exercises in the above manner; now, no leader can always do all that he wants to do, particularly in areas where resources for the immediate satisfaction of the long list of wants are scarce. As a result every leader in a developing country on assuming the reins of power suffers some decline in authority. He finds the change disconcerting and naively attributes it to the false propaganda of jealous enemies. He discovers that to obtain better results he needs a greater consensus and more fervent commitment of the populace, which he finds difficult to build by the tedious and long process of persuasion, more so in the presence of dissident voices delivering telling blows of criticism. Therefore, in desperate need for time, he falls victim to the temptation of attempting to win over the leaders of dissent, and where this is not possible he seeks to silence them. The very immorality of the process creates more dissident voices. At this stage the leadership in power becomes guilty of mixing up national and personal priorities, and quite often tends to choose self-

survival in power as the prime value. Operating without national consensus, or clarity about national priorities and through an inefficient or corrupt bureaucracy, the leadership finds it difficult to abide by the perennial principles of democratic order. Soon enough the parties in power as well as the opposition throw to the winds the self-restraint that is the life blood of a democratic order, the former in regard to exercise of power, and the latter in respect of the right to criticise official performance. Governments seek to bend with force what they cannot turn with persuasion. In the Third World motivation by command becomes diluted in effect due to the factors already noticed; when official priorities are pressed through coercive processes they cause unnecessary hardship to individuals without becoming effective within the social group. The propaganda machinery is called in. Its very loud claims to the contrary and the ever-widening gap between promise and performance develop in the public a peculiar passivity and resistance to the official line; which in turn makes them drag their feet in regard to everything official. The propaganda machinery seeks to give the impression that the Government is all-powerful and all-wise doing everything possible for the people and capable of even greater achievements in the future. An explosion of expectations is carefully nursed. People expect to receive easy benefits without really working. The process destroys the very qualities that the State-run economies need most in the people. In an ill-conceived hurry to achieve an economic and particularly an industrial break-through all non-economic but essential prerequisites are thrown to the winds.

The above analysis has shown that the path recommended and often willingly chosen holds no promise of leading the Third World to salvation, more so the Muslim part of the Third World which does not share the world-view of the capitalist or the socialist world.

The problem of underdevelopment has to be tackled within the framework of its Islamic commitment, a commitment not confined merely to some aspects of worship, but to a total life-view in which economic activity has a definite place and purpose. Not enough importance is given by the foreign advisers or the existing ruling elites to the fact that there is a radical difference in the vision of a good and successful life in the world-view of Islam and that of the capitalist or the socialist world. In the former it consists in fulfilling one's covenant with Allah and of living out the worldly life in terms of Divine guidance as preparation for a more beautiful life awaiting mankind. So far as the First (Capitalist) and the Second (Socialist) World are concerned their world-view is essentially materialistic and earth-bound. The total picture of the good life painted with a mix of hues provided by Freud's vision of a Sexual Man and Marx's vision of an Economic Man, does not coincide with that

which Islam portrays.

The vision of a worldly life of plenitude in the spiritual and physical sense would even otherwise remain a dream for the Muslim community if the individuals constituting it were not willing to postpone immediate satisfaction of their wants and fancies for a more beautiful tomorrow for all. The exercise will need a tremendous moral effort. There is nothing in the secular world-view provided by the First or the Second World to justify this prolonged effort at self-sacrifice. Even the most advanced countries in the First and Second World, namely the U.S.A. and the U.S.S.R., are finding it difficult to maintain the public spirit of the Founding Fathers or of the Communist Party which brought about the Revolution of 1917. Anyone seriously-minded enough to break the vicious circle of poverty and under-development and to seek a meaningful life on earth will have to reckon with the Islamic solution to the problem.

What the Third World is in dire need of is a type of man who is not only willing to forgo present and possible satisfaction of needs and fancies, but is also willing to apply his life and all his worldly possessions to social use for the sake of a more beautiful life hereafter; one who, within the freedom available and with opportunity to do what he wants to, would do nothing but improve the community's life around him quantitatively and qualitatively and in the process share the total benefits equally with the rest of the community and become an example for others to emulate. He alone as distinct from those working for personal worldly gains would have the spiritual will to suffer deprivations without complaint or dejection or cheating when the going is rough and the distance between present sacrifice and suffering and the ultimate compensation appears long.

To motivate people to become productive voluntarily without creating capitalistic or socialistic inequities is doubtless a complicated business. First of all at a purely economic level individuals must share a confidence that the future will grow in a predictable manner out of today's plans and performance, and that no radical upheavals will totally upset or displace today's expectations. Secondly, that individuals can meaningfully participate in planning their future, i.e. an individual's appraisals, planning and expectations would be allowed to play an effective role in society, and that political and economic policies would not be hastily and radically changed, without regard to, or compensation for, individual interest. Yet these two factors by themselves would not be sufficient.

The Third World is advised that to train and utilise manpower and to obtain capital goods they need capital. As it is not available locally, they must borrow it. Now normally a lender would, as the first condition for

risking the loan, require security for repayment. This may be found in goods held in pledge, or the credit standing of the borrower, i.e. the dependability of the borrower in regard to repayment; the third possibility is the direct or indirect control that the lender exercises over the affairs of the borrower. Security of the first or second type is not available in most countries of the Third World because thoughtless and hasty intervention by State Agencies in every field of endeavour often generates an acute crisis of confidence. The sense of security about the social and individual future suffers decline. High interest rates and risky ventures become more attractive. Understandably, therefore, a desire to intervene in the interest affairs of the borrowing community receives a boost. The devastating results of these factors are so obvious in the affairs of the Third World as to render reiteration superfluous.

Inviting Foreign Investment

Foreign investment can be the other source of capital. Here again the foreign investor, especially the one investing in a project wherein profits are postponed, would require a security in regard to his capital and profits, and an overall state of tranquillity and freedom wherein he could reasonably expect to operate and make profit in accordance with his own plans; in other words a prospect of freedom from undue and unwanted interference. The history of the last seventy years has, if anything, proved that security in time and freedom from pressures are items which are progressively becoming more and more scarce. Genuine foreign investment without political strings attached has become rare. Yet the economically advanced and mighty nations must do business with poor nations if only because they need their raw materials if not the markets. It is obvious that in a world of unregulated race for access to and utilisation of scarce human resources, the powerful communities seek to drive the hardest bargains with the less powerful or the defenceless.

The Real Bargain

Ultimately, the bargains between powerful and weak communities are struck at a point which is determined partly by the interplay of forces of demand and supply and partly by the political will of the weaker community to resist exploitation. It would therefore be futile in a fast shrinking world to plan economics without regard to the "will of the community" as a major factor of significance. What goes into the making of this "will" or "resolve" in a community is a matter which takes us out of the field of pure economics into the field of ideology and faith.

Additional Decelerating Factors Debt Service

There are additional factors which complicate the situation, and act as factors arresting development in the Third World. We have seen all too clearly in recent times that the borrowing of capital and know-how by the poorer nations does not always herald prosperity. In fact the debt trap can be as vicious, if not more so, than that of poverty itself. Its additional political implications can be even more devastating. How American Aid, for instance, permitted corrupt regimes in Asia to survive is a matter of common knowledge.

Brain-drain

Along with these the brain-drain is another contemporary problem of the Third World. Even if funds for investment are available skilled manpower is not. It is drawn away by the lure of higher wages and more comfortable living.

Military Conflicts

Additionally, most countries in the Third World are involved or driven into one armed conflict or another, or at least constantly remain under some threat which forces them to redirect major portions of their meagre resources towards participation in an ill-affordable arms race.

Basis for Social Responsibility

It does not require citing of much evidence or submission of a long argument to show that human inventiveness, skill, enterprise and will to suffer for unpopular ideas is available in the largest quantity in societies which are relatively free from bureaucratic interference or governance.

The New Task

To be able to utilise all the resources available to the Muslim community, several types of action need to be taken simultaneously and on several fronts.

Disabusing the Muslim Mind about Imported Economic Models

(i) The first task is to disabuse the Muslim mind of the necessity of adopting one or the other of the two models projected by the First or the Second World. Both are basically materialistic having priorities basically different from those of Islam and have had, and continue to have, aspects which permit wholesale exploitation. In the West it is the big corporations and cartels and in the Socialist countries it is State Capitalism and bureaucracy. In the former, some relief is possible because power is diffused in social groups, in the latter the financial and political power

is concentrated in one and the same agency. In the former the capitalist exploits and in the latter the bureaucrat oppresses. In both cases oligarchies run the society and knowing no control or criteria higher than their own will, they exploit and oppress without even feeling guilty. There is nothing inevitable about these models as both stand discredited and exposed. The Muslims are and should feel free to devise their own models for solving their problems. In fact a look at the debates raging between theoreticians of the First and the Second World about the superiority of their models would show that there are serious shortcomings in both the models. Wanting to resolve the problem at a purely economic level both are covertly borrowing from each other's techniques. The West has moved a long distance away from the capitalist model of the 19th century which was so severely and effectively criticised by Karl Marx. In the new industrial states a great many operational devices are being generally utilised which would have been anathema to capitalists of a few decades earlier. Burnham's *Managerial Revolution* and Galbraith's *The Industrial State* reflect some of the massive changes that have come about in the industrialised West in regard to the role of capital, the capitalist, the entrepreneur, the white-collar manager, and Labour. On the other hand, notwithstanding their public protestation to the contrary, the socialists have covertly borrowed from the West and re-introduced a great many motivational devices in their economies which clearly constitute blasphemies against the pet theories of Marx. The result is that the two enemies today resemble each other a lot more than they are willing to admit. The inequities and hardships of both the systems remain, because they seek solution to all the moral, spiritual and physical problems of Man from a purely secular and materialistic base.

(ii) Our second task is to introduce the Muslim to Islam's distinctive approach to the whole range of economic activity. It is the only ideology whose dimensions cover the life in this world as well as the Hereafter. Islam alone teaches man how to lead a moral and meaningful life in poverty and in wealth; it provides a motivational pattern to an individual for a spiritually meaningful total commitment of his life and all his worldly possessions. It teaches a way for the survival of an individual with his personality intact in a world in which the individuality of man is on the way to total eclipse at the hands of an ubiquitous bureaucracy. Islam alone seems to give sacrifice and suffering a creative aspect, to bring about not negation but an affirmation of life and integration of personality. It restores to man in the universe the dignity and honour which is his due.

Organising Development

(iii) The third task is to work out models for the Muslim Communities

to organise their development by increased self-reliance and where necessary by mutual dependence.

The Way to Will to Develop

(iv) Above all Muslims need to discover ways and means to rekindle a new self-confidence and fervour in the community, to pull themselves up by their bootstraps and to participate enthusiastically in fairly creating and justly distributing wealth: to possess the will to resist exploitation from within and without; to suffer pangs of poverty and deprivation, not whimpering and crying, but by struggling against social wrongs.

Content of Economic Activity

From the above analysis it is clear that the charting of our future will demand consideration not merely of the economic and political factors, but also spiritual and moral factors without which politics becomes a game of oppression and economics a hunt by exploiters. Socio-economic injustices are the first object of attack under an Islamic commitment. The very first object of the Prophet's (peace be on him) denunciation at the beginning of his mission were the exploiting and cruel rich of Mecca. Early Surahs of the Qur'an, for example, "Al-Muddaththir", "Al-Humaza", "Al-Ma'oon", "Al-Layl" and "Al-Balad" bear witness to this fact. The extreme hatred of the rich Meccans for the Prophet is in turn explicable only on the basis that he sought to alter completely the socio-economic priorities. It is common knowledge that the good morality that he (peace be upon him) taught was not entirely new and had some universal aspects. The Arab appreciated truthfulness, generosity and patience in the face of danger as much as did a Muslim. We know the Meccan community also held the Prophet (peace be upon him) to be a truthful, faithful and dependable person. What hurt them most was the new teaching which claimed that in the new social order status would not be dependent on accidents of birth, colour, family ties, national origin, wealth or sex. All the old status symbols were to be dethroned, and the only acceptable status symbol would be an individual's efforts to fulfil his covenant with Allah,¹ to establish Justice by doing justice, and by standing up to see that justice is done in terms of the Divinely revealed guidance; not only that but to do more beyond the demand of justice by practising beneficence.²

The Islamic Social Framework

Before proceeding to state specific provisions about economic activity we must highlight the basic features of the Islamic social framework

within which economic activity should take place.

Faith is the basic dimension of a Muslim's life. Mutual trust and confidence which flow therefrom are essential for all creative and mutually beneficial socio-economic activity. These are unavoidable pre-requisites for human growth and maturity. The Prophet (peace be upon him) took great pains to inculcate them. A Muslim's life is essentially an act of faith: faith in the Creator, His Prophet and in the life Hereafter; faith that Allah in His infinite mercy shall raise him for a higher life; faith that life does not end with the demise of the body and that man flying on the wings of a moral life shall enter a new dimension of life free from fear, envy, remorse and suffering, the good life which shall suffer no discontinuance. But to achieve such a life everyone must voluntarily participate in the great moral effort which is its prerequisite. Man shall transcend this world only when he becomes as it were a partner with Allah to do so.³ In Islam economic activity is only a section of a much larger canvas which is dominated by the twin themes of the basic dignity and worth of an individual implying a universal obligation to care for others' interests, as one does for himself, and the universal obligation to do justice. Allah, the Qur'an declares, has honoured the progeny of Adam⁴ and has made subservient to them what has been created in the heavens and on earth.⁵ Every infant from the moment of his birth becomes entitled to care and consideration. The duty of blood relations to care for each other is greater.⁶ The weak and the needy have a special right over the entire community.⁷ The Prophet (peace be upon him) used to say that he was like a father to the members of the *Ummah*; he (peace be upon him) is also reported to have said that "I am liable for the debts of him who dies without paying his debt and left no relations willing to pay for him." (Bukhari: Kitab At Tafsir No. 1891.) It was he (peace be upon him) who stopped the Mujahids from proceeding for Jihad and directed them to stay back and serve their parents when there was no one to look after them and they themselves were too old and feeble. In the *Ummah* that he (peace be upon him) welded together, individuals were progressively relieved of worry about their own or their dear one's future. Each individual was under a personal obligation to protect the interests of others, and to desire and to choose for his brother what he would choose for himself. Of such a community's prosperity and happiness Allah, the Prophet (peace be upon him) and the *Ummah* were the guarantors. To ensure just and compassionate economic activity this spirit of concern for human dignity shall have to be revived and nurtured by careful effort. According to the teachings of Islam the test of true and sincere faith lies in a person's dealings with his fellow beings. To emphasise the paramount importance of a Muslim's duties in this behalf and to ensure that in dealing with each other they remember

the sanctity of each individual, the Prophet (peace be upon him) once while circumambulating the Ka'bah, said as if addressing it:

"How good are you and how pleasant is your fragrance. How sanctified are you and how sacred is your status. But by Him in whose hand is the life of Muhammad (*peace be upon him*), the sanctity of a believer with Allah is greater than yours (*and*) his belongings and his blood, and that we do not think but well of him." (*Ibn Maja No. 3932*)

The second principle of adhering to Justice under all conditions is contained in the Qur'anic declaration:

"*You shall not oppress, nor shall you suffer oppression.*"⁸

The Prophet was asked by Allah to declare:

"*I have been commanded to do justice between you.*"⁹

Each believer too is under an obligation to act justly and to help others in doing so. Not only to be just but also to be gracious.¹⁰ The Prophet (*peace be upon him*) is reported to have said:

"*Be considerate when you sell, when you buy and when you judge.*"

The believers, according to the Qur'an, are each other's protectors.¹¹ The principles of basic dignity of man, his being part of a universal brotherhood, and the absolute obligation to do justice and to stand up for justice cuts across the Gordian knot of the problem of the inter-relationship of power and justice in the Western tradition.

"By the necessity of their nature", according to Thucydides, "men always rule when they are in power. Justice prevails only among men equal in power, and the powerful exact what they can, while the weak must yield what they must." Living in a prosperous but in many ways unjust society, Karl Marx once remarked that "justice is bourgeois prejudice". Justice has always remained a problem wherever and whenever men have made laws and power has found ways to make an alliance with justice. According to the Qur'an all power must at all times be subservient to Justice, whose criteria Allah alone provides and prescribes. In their very covenant with Allah,¹² Muslims must submit to the Judgement of the *Shari'ah* and feel no constraint or threat.¹³ While enforcing justice and implementing the concept of equality within the brotherhood of believers, the *Shari'ah* will brush aside all power which restricts the operation of these principles. It was this principle which prompted Abu Bakr,

the First Caliph, to say on assuming office:

"Verily the weakest amongst you shall be strongest in my eyes till I get him his due, and the strongest amongst you shall be weakest in my eyes till I exact from him what is due from him."

It was for a long time an established tradition within the Muslim community that when the Caliph proceeded to the Court of a Qadi as a litigant, he was denied the salute and normal courtesies even by his staff and courtiers, till he returned.

The *Shari'ah* in the very process of providing justice proceeds to deal with the conflict situation, firstly, by denying advantage to power by affirming the absolute ascendancy of the idea of equality. Every person appearing at the altar of justice temporarily stands divested of the advantage of birth, status, power and wealth. When the powerful cannot be separated from the sources of his strength, then the entire strength and weight of the *Ummah* is placed on the side of the weak or the oppressed.¹⁴ When Qadis felt some inadequacy in enforcing the will of the *Shari'ah* their jurisdiction was supplemented by that of the *Nazar al-Mazalim* courts which primarily dealt with the cases in which oppression of the ruled by the rulers was alleged. This, however, is not the only protection.

The *Shari'ah* also emphasises obligations before rights. Those who have wealth, power or authority must first do justice, and perform their obligation under their covenant with Allah irrespective of the performance of others,¹⁵ and then proceed to demand their rights under the law. Those who have more have to account for more. The weak and the oppressed on the other hand have absolute rights on the community, which must be honoured under all conditions.¹⁶

Yet another protection lies in the fact that according to the *Shari'ah* the obligation to obey is conditional on the command not being in clear defiance of the *Shari'ah*. Those in authority are to be obeyed, but they must first act fairly; all disputes with public authorities or others can be taken to the judicial authorities.¹⁷

It is only in an atmosphere of mutual confidence and trust, and with faith in the intrinsic dignity of man and absolute supremacy of justice according to the *Shari'ah*, that people can bring about a just, prosperous and a gracious society.

Within this framework, let us examine the Qur'anic provisions regarding economic activity.

Qur'anic Principles of Economic Activity

Participation In Economic Activity

According to the Qur'an, participation in economically creative activity is obligatory for every Muslim;¹⁸ they are also expected to work hard.¹⁹ The Jews sought fulfilment of God's blessing in worldly life, and the Christians went to the other extreme of propagating asceticism. Islam, in unequivocal terms, affirmed the fundamental and absolute precedence of the life hereafter over the worldly life²⁰ but expects the Muslim to use the good things of life²¹ and to be grateful to God for His blessings²² because Allah increases His blessings for those who are grateful.²³ The blessing of worldly things is abused when a man squanders his wealth²⁴ or exults and makes a wanton public display thereof;²⁵ therefore waste and wanton display in contrast to moderate display within the family circle to increase the beauty and charm of life²⁶ is prohibited. The importance of this principle becomes clear when one realises that the strongest criticism of contemporary Marxism against Capitalism is in regard to its wastefulness, i.e. both in regard to the non-utility of a large number of items produced and also in respect of their inequitable distribution and use. One person wallows in ostentatious high living and another barely survives in a condition of extreme poverty and deprivation. Basically the same criticism can also be levelled against the socialist system because therein also once a person has earned his wage he can do with it what he likes. Waste of hard-earned wages on alcohol is a special problem of Soviet Society.

On the other hand Equality is a principle of prime importance in the governance of the Muslim community; for example, while undergoing the harsh conditions of the Meccan boycott in the Shi'b of Abu Talib, the community shared everything. The situation improved considerably after the Hijrah to Medina. Companions were allowed separate houses, kitchens etc, but here too we find that in Medina when a companion of the Prophet sought to decorate his house from the outside in a manner which not everyone could afford, the Prophet reprimanded him, and blessed him when he brought down the decoration.

According to the Qur'an everyone is entitled to a share in what he earns;²⁷ no one is permitted to withhold all that he earns,²⁸ one is required to use it in the categories prescribed by Allah²⁹ but is prohibited from using it for wanton public display, on the supposed ground that because he has earned it on account of his knowledge or skill he can use it how he likes.³⁰ Blocking such conspicuous consumption carries severe chastisement, because it causes widespread corruption and upsets the social balance.³¹ The Qur'an has specifically chosen to mention Qarun as an example of a man of means who invited Divine punishment because of the abuse of his wealth. But all through the Qur'an there is repeated

mention of the punishment the wealthy ones invite by hoarding their wealth and not using it in a manner which would save them in the Hereafter.³²

Duty to Produce More Than One's Needs

Economic activity is not to be confined to merely earning or producing enough to meet only one's personal needs. Muslims are expected to produce more because they cannot participate in the process of purification through the provision of security to others (*Zakat*) unless they produce more than they themselves consume. The most highly recommended use of fairly earned wealth is to apply it to the procuring of all means to fulfil a Muslim's covenant with Allah. A Muslim is under a covenant that he should struggle for the establishment of the Islamic order with his life and all worldly belongings.³³ This too would become impossible if individuals only produced enough for personal needs.³⁴ This of course does not mean that for those who have no wealth there is no compensation with Allah.³⁵ They can improve the quality of social life even without surplus economic resources.

The duty to produce carries certain further implications of which due note must be taken. In the production of goods Muslims must give priority to those things which are good and wholesome and help to improve the quality of life. Goods for mere display, or for stimulating artificially-created wants would have very low social priority. Those goods whose use is unlawful or prohibited may not be produced at all. Production too must be by means which are approved, and under no circumstances should it be by means which are disapproved, because in such circumstances even if there is the appearance of an immediate gain, as in cases of usury, in reality there is a loss which is not immediately apparent.³⁶

The importance of this set of principles becomes obvious when we realise that one of the major faults of the economic order of the First World is the over-production of goods which merely whet the appetite by creating a passing fancy, and do little to add to the real quality of life. Every day the media inflict advertisements of cigarettes, wines, clothes and innumerable consumer items for which markets are artificially created; by the projection of these wares, a specious culture is created and maintained and many social priorities remain neglected. The individual produced in such a society is morally indifferent and spiritually famished. The Qur'an prohibits wagering transactions. In a wagering transaction the winner makes an undeserved gain and the loser suffers an undeserved loss, neither party being involved in any process of production; such transactions constitute a clear abuse of wealth. Such transactions cause envy, rancour and enmity³⁷ and destroy one's dignity and the necessity of productive labour. Through them people acquire power

to command more goods and services without participating in any exercise of adding to the sum total of socially available goods. In the light of this principle, the Prophet (peace be upon him) prohibited a large number of transactions in trading which carry explicit or implicit marks of a wagering contract. For instance, he prohibited the making of business in respect of unripe fruits on trees, till the fruits ripen or are ready to be removed, because from the time of their first appearance on the tree to their ripening, fruits are clearly subject to complete or partial loss. On some occasions no loss may occur. Therefore, in transactions finalised at an early stage clearly one party stands to make an undeserved gain or to suffer an undeserved loss in relation to the other. The Prophet (peace be upon him) also insisted that buying and selling of goods brought into the cities be done inside the markets only, because it is possible the people while engaging in transactions outside the market might pay or receive prices over or under the true market value. The examples can be multiplied. The chapter on trading (*Kitab-al-Buyū'*) in *Sahih al-Bukhari* provides many examples.

The Qur'an explicitly prohibits usury³⁸ because of its evil effects on human society. It constitutes a single major cause of social malaise. Ultimately usury assures unearned incomes and converts business into exploitative bargains³⁹ and by and large develops a style of production wherein business transactions cannot prove beneficial for both the parties to the transaction, and become an unfair and unjust taking of someone's property.⁴⁰

The Qur'an insists that Muslims must not hoard wealth but must spend it with wisdom,⁴¹ and moderation,⁴² keeping in view the permitted uses of wealth.⁴³ The full implications of this command do not become apparent at first glance, and stand in need of some explanation.

Participation in economically productive activity is the duty of every man and woman. The Prophet is reported to have said that one who does nothing is hateful in the eyes of Allah. Savings represent the surplus generated over and above what is consumed in the process of production. Part of this surplus is reserved by the *Shari'ah* for the benefit of those who due to some permanent disability or temporary incapacity cannot look after their own needs or those of their dependants. This part is contributed and collected by the mandate of Divine Law and is known as the *Zakat*. As far as the rest of the savings are concerned they too need to be put back into the process of production, in the form of capital, to further aid social productivity. Islam seeks the optimum use of capital and the total utilisation of manpower. Severe chastisement is promised to those who withhold socially available capital by storing it up in the form of gold and silver.⁴⁴ Gold and silver by themselves are at best universally accepted symbols to command services or to buy goods,

but by themselves do not carry any intrinsic value in the provision of direct satisfaction of human needs. So long as all the savings in individual accounts are, by and large, available as capital for the community, the problem of chronic shortage of capital may not often arise. For example a man 'A' works, and from his wages he saves a hundred rupees. This amount he puts in a bank. The bank as his agent invests it in a joint venture with someone else, say 'B'. From the surplus generated the bank and 'B' make provision to return the original, the bank takes part of the profits made in the joint venture with 'B', and 'B' deposits say fifty rupees as savings from part of the profit that accrued to him. Now, say the bank enters another joint venture with 'C' utilising the amount of Rs. 150/- deposited by 'A' and 'B' and makes further profit and generates further savings by 'C'. In this way the sum total of socially available goods and services increases without destroying the capacity of 'A' and 'B' to call for certain goods and services which they are entitled to by virtue of their savings. The profits would of course be calculated annually as *Zakat* is also calculated on annual savings. The above model is of course somewhat over-simplified but its operational utility becomes obvious when we keep in view the other Divine commands in regard to man's economic activities. Some of them we have noted and others follow.

Shortage of capital can severely restrict economic activity, and people are afraid of going into joint ventures with untried hands. Banks or similar agencies as specialists in the field can represent the depositor, and engage in joint ventures with due regard to all relevant factors. The transaction would then be different from an interest (*riba*) transaction or an ordinary banking transaction wherein the lender gets his interest at a pre-determined rate irrespective of the benefit which may or may not accrue to the borrower. In the former case the money remains with the investor but in the latter case it becomes that of the borrower. In joint ventures, both parties risk profit or loss but in the latter case the lender does not share profit or loss but takes the fixed interest. There are other points of distinction also. In the capitalist banking system only the rich can borrow because they alone can provide the requisite "safe" securities. The wealth of the borrower is a very important factor for the lender when Islam expressly prohibits "*circulation of wealth only amongst the rich*"⁴⁵, and the State guarantees repayment of loans; the utilisation of capital here will follow a completely different course from that prevailing in the West or in the Socialist world.

Today in the world of free enterprise the State has no effective means of checking bank-lending which create economic cartels except by prescribing bank rates and minimum liquidity, because the profit motive is not subject to the prohibition against wealth circulating only amongst the rich. Secondly, when the State does not guarantee repayment, the

lender seeks security only through wealth of the borrower, with the result that society ends up with the rich lending only to the rich. On the other hand, State ownership of all capital creates its own problems such as the decline of productivity, bureaucratism, regimentation and overall loss of freedom, enterprise, inventiveness, entrepreneurial skill and enthusiasm. According to the Qur'an all business transactions must be by the free contract of parties.⁴⁶ This principle again has very far-reaching consequences. Any one familiar with the working of the so-called free competitive market knows all too well what fair and foul means financially strong parties or corporations use to push out competition. All too often business transactions are struck in situations which involve duress of one over the other or are in situations very close to it. Laws to protect competition or to provide for fair contracts have too many loopholes and in any case have not proved adequate, with the result that many have come to believe that free competition is only a theoretical cover over the real going-ons of the so-called free competitive markets of the First World. The pressure in all such transactions is applied because of the tight corner in which a party may find himself for lack of liquidity. The Qur'an commands that in such a situation the one who cannot meet his liabilities should obtain an extension.⁴⁷ Now lack of liquidity may also be the result of over-trading or speculation. The Qur'an positively discourages the first in a variety of ways but completely prohibits the second. An analysis of concrete situations would show that most cases of over-trading really involve speculative transactions. The protection of Qur'anic provisions is available only when Qur'anic injunctions are not transgressed.

In all such cases the approach of Islamic Law is that no one shall be permitted to injure another nor be injured in return.⁴⁸ The relevant agency, judicial or quasi-judicial, can always go behind the transaction to restore a balance if ill-gotten gains have been made, or undeserved losses have been suffered. No one under the Islamic system does business on the principle "let the purchaser beware"; no technicality of law will protect such transactions, because every Muslim, particularly the seller, is bound to look after the interest of the purchaser, by seeing to it that he is not deceived and does not suffer an undeserved loss.⁴⁹ Along with the obligation not to do injustice, goes the positive command to do justice.⁵⁰ This permeates every aspect of the life of the Muslim community. It is the obligation of every believer to do justice to one with whom he is dealing. In economic transactions this means that transactions should be so made that both the contracting parties profit therefrom. Every Muslim is under an obligation to give full measure or weight⁵¹ of what he sells. The Prophet (peace be upon him) has said: "Whoever (amongst you) can give a profit to his brother let him do so." (*Muslim*) On another occasion,

he (peace be upon him) said: "Why do you restrain your brother from that which will benefit him and is also profitable to you?" (*Malik*).

Muslims are also prohibited from reducing the value of people's things,⁵² which in modern parlance would mean that they are under a prohibition from becoming party to the process of inflation. The public become party to the so-called normal peace-time creeping inflation which is motivated by desire to make a little extra, and the Government becomes party to the destruction of people's savings by printing more money. The devastating effect of both these processes is not hidden from any one familiar with the economic turmoils of the nineteen-seventies. Let it be recalled that the fall of the Roman Empire and the Ottoman Empire was precipitated by massive inflation.

There are many factors which operate to create profit. The Qur'anic injunction of equality, and the Prophet's command that in all transactions both parties must profit, and the other principles already referred to above have a direct bearing on the question of the quantum of profit permissible to a Muslim. The First World economists used to say, until quite recently, that it is as much as anyone is willing to pay minus the cost, and often justified this by saying that the competitive market fixes the margin. We know now that there is no absolutely free competitive market such as the academic economists visualise, and that there are too many factors which prevent the market from reaching a fair equilibrium. The Prophet (peace be upon him) is reported to have prohibited the making of profit in articles of absolute need like food-grains though he refused to fix prices in spite of requests. In other items he required the believers to make reasonable profits to assure the full benefits of each transaction to all contracting parties. The Islamic social framework, insisting as it does on nurturing social confidence, would provide the requisite field for the successful operation of these principles.

Qur'anic principles operate in numerous patterns of economic arrangements to exclude exploitation. They seek to ensure that within the limits set by the *Shari'ah*, each party shall receive due benefit for its contribution, industry, entrepreneurial skill and inventiveness. Those who contribute more shall receive more.⁵³ There will remain certain inequalities⁵⁴ but they will not harm the group as strict controls operate on the uses of wealth. Those who have more wealth have more responsibilities, and more to account for.

The Qur'an recognises the difference between man and man in terms of intelligence, health, strength and morality. It also recognises the fact that some work harder than others and some work more intelligently and consistently for better objectives. Some work only to get the good things of this life and some use their worldly life as a means for betterment of the real life of the Hereafter. Some save their earnings and others squander them. Recognising all these differences, the Qur'an affirms the principle of just requital by declaring that

"there is naught for man but what he strives for."⁵⁵

The Qur'an also proclaims:

"Whosoever desires the present life We hasten for him therein what We will, for such of them as We please. Then We have appointed Hell for him; he shall burn therein, condemned and rejected. And whosoever desires the Hereafter and strives for it, as it should be striven for, and he is a believer; these are the ones whose striving shall find favour.

And We do aid these as well as those, out of the bounty of thy Lord; and the bounty of thy Lord is not held back (from any). See how We have made some of them to excel others. And certainly the Hereafter is greater in degrees and greater in excellence."⁵⁶

In Surat Az-Zakhruf, the Qur'an says:

"Is it they who would distribute the mercy of thy Lord? It is We who distribute among them their livelihood in the present life, and we exalt some of them above others in degrees (of rank), so that some of them may make others subservient (to themselves). And the mercy of thy Lord is better than that which they amass."⁵⁷

In short, therefore, the Qur'an makes it clear that the principles of just requital requires that the wages of sin and virtue all be reckoned and paid to each according to the labour that he puts in. Any egalitarian philosophy which destroys or even fails to recognise the qualitative differences between a good man and a knave, a hard worker and a waster is totally unacceptable to Islam. The slogan of the equality of all men is sought to be used by its proponents as a means of counteracting the injustices and tyrannies of the few against the many. The answer provided by Islam does not destroy the radical differences between right and wrong, between useful and useless, between good and bad, between the productive and the barren. It does not seek to establish social justice by steam-rolling all into a state of unmerited equality. Nor does it accept the philosophical assumptions underlying the theories of those who explain the phenomenon of human life in purely economic terms. The transfer of the legal ownership of the means of production to government instead of individuals does not *per se* establish the equality that is sought. Even in the Government owned farm or factory there is the manager who commands and oppresses like the owner that he replaces. Human dignity and freedom is as effectively choked under the new arrangement as it was under the old; perhaps it is even more effectively and irretrievably lost, because the new master is a member of a vast bureaucracy infinitely more

powerful and power-drunk than the so-called capitalist that he replaces. Islam protects the individual not on the basis of hatred or class-war, but in a manner infinitely surer, wiser and more humane.

Islam's Attitude to Private Property

At this stage it might be useful to refer briefly to Islam's attitude towards private property. We have already referred to the fact that the first addressee of the Qur'an is the individual. He is called upon to attain salvation and ultimate fulfilment by living up to the terms of his covenant with Allah irrespective of the performance of other members of the community; the way to obtain Divine approval is primarily in the social field by performance of his social obligations. Islamic individualism is irreconcilable with the collectivism and moral relativity of Socialist thought. It is in this context that the distinctive characteristics that the concept of private property has in an Islamic society are illuminated. In Islam no person has an absolute right on his property to use it as he will except [perhaps] in the sense that he can only use it for some purpose that has been accepted as lawful by the Qur'an. It is not the property which is in itself the source of trouble but it is the misuse of the property which causes unhappiness and unrest. Qarun is cited by the Qur'an as a classical example of one who misused his wealth. His sin lay in (i) his assertion that because he had earned his wealth he could use it as he wished and (ii) in the wanton display of wealth. The Prophet (peace be upon him) was extremely careful in suppressing ostentatiousness and wanton display of wealth. He constantly warned the community that wealth was one means amongst others whereby to win one's laurels in the life Hereafter. All things created were for the use of man in his spiritual journey.

That Allah has created the good things of life for the use of mankind is a positive declaration of the Qur'an.

Allah says:

*"Say, Who has forbidden (unto you) the good things granted by Allah to His servants, or raised as healthy nourishments?"*⁵⁸

The believers are exhorted to strive to earn their livelihood; the Qur'an declares:

*"And when the prayer is finished, then disperse in the land and seek of Allah's grace, and remember Allah much, that you may prosper."*⁵⁹

But whereas the believers are called upon to earn lawfully what they can, they are simultaneously placed under a duty to spend what they

have earned in the path of Allah, i.e. for that which is laudable, approved or permitted by the Divine Book and the noble Prophet (peace be upon him). The hoarders of wealth have been promised the most severe punishment.

The Qur'an declares:

*"Woe to every back-biter, slanderer, who amasses wealth and counts it time after time. He thinks that his wealth makes him immortal. Nay, he shall be cast into crushing punishment."*⁶⁰

It is for this reason that we notice that many of the companions of the Messenger of Allah (peace be upon him) left no wealth worth mentioning in spite of the vast amount that came to their share as income or as war booty. It is well-known that during the rule of Umar Ibn Abdul Aziz there was a shortage not of the comfortable but of the needy.

The whole life of the messenger of Allah (peace be upon him) is an example for us. The Meccan period of his life is as much a guidance to the believers as the Medinan period. In fact, the State established at Medina was of a community whose nucleus had undergone a strenuous training in self-sacrifice during the Meccan period. During the Meccan period the resources of the Muslim community were limited and each believer had to suffer great hardship for helping his brothers. On the other hand, by the time the Islamic State of Medina was established the income of the community and of the *Bayt Al-Mal* had increased manifold. The result was that a lesser burden was placed on individual believers.

Islam's way to social justice lies in the establishment of a brotherhood of believers which destroys tyranny without destroying legitimate differences. Within this brotherhood each individual is duty-bound to work for self-support and to help the others, even though each one works for whatever he aspires for. Islam recognises that ambition for self-development and advancement, for progress and salvation, are the mainsprings of an individual's efforts. It puts these urges and ambitions into a constructive channel. It does not prevent a man from acquiring or enjoying the just and lawful produce of his labour, but insists that what is earned be spent in a manner prescribed or approved by Allah. It makes the positive command of morality to provide contents for the social framework, which the essentially negative command of law seeks to protect.

It is part of Qur'anic justice that it does not permit the concentration of capital or of wealth. It refuses to approve hoarding of wealth. It promises a grievous chastisement for hoarders of gold and silver. It directs us to look at the glorious examples of the companions of the noble Prophet who have left us a brilliant trail to follow. Tabari for instance records of

the third Caliph 'Uthman, declaring to the people who had gathered around him to depose him:

" 'I have naught but two camels, I have neither a goat nor a she camel and when I had assumed office (of Khilafat) I had amongst all the Arabs the largest number of camels and goats; and this day I have no goat nor camel except two camels for performing Hajj. Do you accept this?' – They replied, 'By Allah it is so.'"

It was a singular misfortune of the tradition of Muslim law after the third century, that the right to acquire property came to be emphasised much more than the obligation to spend one's wealth according to the priorities fixed by Allah, even though in the Qur'an there is far greater emphasis placed on spending. The legal structure of Islam cannot operate effectively independently of the moral framework within which it is found and in so far as law becomes more amoralised or secularised it loses one of its main springs of effectiveness.

The Qur'an's approach to the question of private property may be summarised thus:

It is possible to own property. It is incumbent upon the believers to work hard and to create wealth and acquire the fruits of their labour. But the duty to earn carries a further obligation to earn by lawful and moral means. Spending in the path of Allah, of some of the wealth acquired by unlawful and evil means, would not wash away the sins of all misdeeds. It is also equally important that the Muslims should not hoard what they lawfully earn, but must spend it with wisdom and moderation in the categories that God has established. It will be open to the Governing Agency of the believers to regulate the system of spending in the path of Allah (*infaq fi sabilillah*) of which the first example was the establishment of the *Bayt Al-Mal*. In normal conditions a State may place less direct burden on the individual leaving him free to perform his obligations voluntarily. However, in times of some national emergency, *Jihad* or the like, every individual may have to carry a burden far greater than in ordinary times. Some aspects of the last mentioned principle might now be examined.

Role of the State

The provision of opportunities to all is one of the primary duties of the community. At the root of a successfully operating Muslim community is the general awareness of individuals of the great obligations that are placed on them in accordance with their abilities. The duty to act morally is primarily that of every individual and the business of the

Ruling Agencies is to act in aid of the individual to assure the possibilities of a moral life for him. The Ruling Agencies facilitate this by the performance of:

- i. those administrative and service functions which individuals cannot perform and which they, by common consent, delegate to the State; such as functions of maintaining law and order, the courts, the markets, the roads and a host of other functions commonly undertaken by Governments; and
- ii. those which under existing conditions the Ruling Agencies alone can perform more effectively: such as organisation of national security, the collection of *zakat*, etc.

What distinguishes Islam from other systems with regard to the extent of governmental functions and the extent of authority of the Ruling Agencies is that in an Islamic social order, the State agencies do not prescribe the social priorities nor do they replace the individual in the arena of socio-economic life, which is primarily the field for the individual's morally regulated efforts. The Ruling Agencies merely act in aid of the performance of duties by the members of the community. It is only rarely that the performance of social obligations is taken over wholly and exclusively by the public authorities.

The Ruling Agencies, in Islam, also operate under distinct constitutional limitations; unlike the modern secular states they cannot abrogate wholly or in part the Divine Law or its *inter se* priorities. They do not lay down the social priorities nor can they, in the exercise of their regulatory powers in the economic field, assume any responsibility beyond that of assisting the process whereby disadvantaged individuals are helped to look after their needs and act as free moral agents. The last-mentioned principle has a wide application. It would imply a clear duty to intervene whenever fair contracts between persons are not being made or enforced, and yet operate as a limitation on the powers of the Ruling Agencies when they threaten to go beyond this limit. In the modern context, on the one hand it would call for State intervention in obtaining for the worker a wage commensurate with his productivity, yet on the other hand it would also stop Ruling Agencies from committing national wealth to objectives which have a low priority as compared to those which have a high priority according to the Qur'an and the *Sunnah*. In an Islamic State, the national legislature would be concerned primarily with discovering ways and means for implementing the Qur'anic values in accordance with their priorities as made clear by the Qur'an and the *Sunnah*.

The corollary of the same principle is the duty of the Ruling Agencies to protect human life, dignity, honour and property, all of them in accordance with the dictates of the *Shari'ah* – in other words, to participate actively in, and aid all activity to establish *Adl* (justice) in the community and yet leave room for *Ihsan* (righteous action).

9 Banking in an Islamic Framework

Mohammad Nejatullah Siddiqi

Banking has done to the modern economy of man what the advent of money did to his primitive economy when barter was the rule. It has greatly facilitated exchange and helped capital formation and production on a vast scale unprecedented in human history. But the way it has done so has been largely responsible for some of the greatest evils of modern economy: inequities in the distribution of income and wealth, concentration of economic power, an endemic tendency towards inflation and fast accumulation of debt in several sectors of the economy with serious political, economic and sociological consequences. The system therefore calls for a close scrutiny in a study which advocates a basic reform in banking that would eliminate these ills and gear the system to the universally acclaimed ends of justice, equity and progress.

The main role of banks is that of financial intermediaries between the ultimate savers – the households – and the ultimate investors – the firms. Savings accrue with millions of households while business enterprise is confined only to tens of thousands of firms. Every society needs some mechanism through which savings are channelled from savers to investors, on the basis of some understanding relating to repayment and returns. Imperfection of knowledge and communication and variety of tastes regarding liquidity, risk and time involved, etc., make a direct deal between savers and ultimate investors inefficient and limited in scope. The banks have stepped in, offering the savers various types of deposits, withdrawal facilities and guaranteed returns by way of interest. Non-bank financial intermediaries have also a role in this respect which we will ignore for the present.

With so much public money in their vaults, banks are in a position to offer advances to business enterprise for investment. Thus they play a decisive role in the allocation of financial resources available within society. The fact that bank advances are based on fixed interest payments and that liquidity is one of their major concerns (besides profit making) is crucial in this respect. There is usually an inherent conflict between the banks' preference for quick-maturing, high yielding projects and the

needs of society as a whole.

Modern society's vast needs for a medium of exchange could not possibly have been met by metallic money alone. It would have been a wasteful method of meeting this need anyway. The introduction of paper currency and later of checking deposits and their acceptance as money by the public largely owes itself to the banking system. Banking credit, or money created by banks through entries in its ledgers, is a convenient way of augmenting the supply of money *pari passu* with the society's demand for it. It developed as a concomitant of the above mentioned role of the banks and soon became their predominant function almost overshadowing the first. It is interesting to note, however, that the terms on which the banks performed their first function were to a very great extent responsible for creating vast demands for credit. Demand for very short-term credit has grown out of proportion to the structure of the production process mainly because banks would not go in for long-term financing nor would they participate in risk-taking. Recourse to a series of short-term arrangements and reliance on other financial intermediaries became inevitable for firms.

Banks perform a number of other functions such as keeping demand deposits, safe custody of valuables, agency functions in respect of payments and receipts etc., and money transfers over time and space. These, however, do not concern us as they are not relevant to the desired reform. We shall, therefore, turn to their main function and trace some of the consequences that follow from the fact that they are rooted in the institution of interest.

Consequences of Interest

The ultimate investor faces an uncertain world in which the results of his enterprise cannot be foreseen with certainty. He is nevertheless obliged to commit himself to the bank for payment of a fixed percentage return over and above the principal. In doing so, his only guide is his expectations regarding the profits of his enterprise. Should the expected rate of profit be lower than the market rate of interest or, to be more realistic, not sufficiently higher than it to leave some profits for himself, he is constrained to drop the project.

These often include projects rated high in the social order of priorities but the individual is entirely helpless in this regard. The society is, therefore, obliged to adopt other methods to take care of such projects. Historically, it had to admit them into the public sector or finance them through special agencies relying on public funds raised through borrowing or taxation. The institution of fixed interest charges on advances is therefore inimical to the growth of a free society and it introduces a tendency towards socialisation.

Secondly, interest due on bank advances has to be treated as an item of cost, raising the cost curves and influencing the firm's policy regarding pricing of its products and the wages offered to labour, assuming that the imperfectly competitive world affords some manoeuvrability to many firms in these respects. Higher cost curves imply higher equilibrium prices and smaller scales of production. Furthermore, the profit-sharing entrepreneur is free from the constraint of realising interest costs, as his sole commitment to the supplier of capital is that of sharing the *ex post* profits with him. Though still a profit-seeker he can nevertheless take care of social objectives in his price policy and wages policy, should he so desire. He can serve other ends at the cost of some short term profits. No such freedom is available to an interest-paying entrepreneur.

All that is ethically and aesthetically good and beautiful in society is born of creative action rather than action impersonally determined by forces of nature. In trying to convince us that entrepreneurial behaviour was determined by impersonal forces leaving no room for creative action, economists of yore were deceived as well as deceiving. This deception was reinforced by the institution of interest. Society would gain by removing this constraint and widening the possibilities of ethically oriented voluntary action on the part of entrepreneurs.

The third and the most serious consequence of bank advances being on interest relates to the enterprise which incurs losses. It is nevertheless constrained to repay the principal as well as the interest stipulated, making up the deficiency out of its own assets. This raises the question of justice. If the results of enterprise are uncertain due to the nature of the world, why should the supplier of capital be guaranteed a fixed positive return, leaving the burden of uncertainty, falling in the form of loss, entirely to the entrepreneur? The uncertain world in which capital and enterprise cooperate in production does not guarantee a positive value productivity to either of them.

Having dealt with the related issues of productivity of capital, the distinction between capital goods and money capital, and that between risk capital elsewhere¹, we focus our attention on the central issue involved. The penalty imposed on the unsuccessful entrepreneur is entirely unwarranted in view of the uncertainties involved. The ability of the entrepreneur has presumably been tested earlier and scrutinised by the banker who agrees to make an advance. Accrual of losses is probably as much due to macro-economic factors beyond his control as to inefficient management. This failure of an enterprise to make a profit deprives the entrepreneur of any reward for his entrepreneurial services and rightly so, because the enterprise failed to create additional wealth out of which he could be rewarded. To oblige him to make up the deficiency in capital caused by the loss and pay

up the interest due, presumes an inherent property in capital not only to remain undiminished but also to grow with the mere passage of time, despite uncertainty.

This is a false presumption without any basis in logic or history. In perpetrating this injustice the banking system penalises entrepreneurship in general and tends to exclude individual entrepreneurs from further activity by depriving them of assets built earlier. A constant stream of wealth must flow from the entrepreneurial class to the banks against no actual contributions made to the social wealth. In a world where the growth of wealth as a result of productive enterprise is uncertain due to changing tastes, weather, and imponderables such as political developments and innovations, capital participating in enterprise is assured of constant growth, and entrepreneurship, enabling this participation, is made to bear the entire burden of uncertainty as well as dish out certainty to capital! The system of interest-based advances must therefore be judged unjust, discriminatory and prejudicial to social interests.

Replacement of interest by profit-sharing as the basis of bank's advances to business, which is the basic reform advocated by us, takes care of the evil consequences of the system noted above. One further advantage is to ensure active involvement of the banks in the productive ventures financed by them. Banks' income being derived directly from the actual profits realised in the ventures they finance, their expertise will also be focused on efficient decision-making and proper management in these ventures.

Interest and Bank Credit²

We shall now trace the impact of interest on the creation of credit by the banks. Banks' ability to create credit is independent of the terms on which it is extended, depending as it does on the habits of the public which keeps only part of its income in cash and deposits the rest with the banks. The institution of interest is neither a necessary nor a sufficient condition for the banks' ability to create credit.

Interest is crucial, however, for the purposes for which credit is extended and for the extent of its supply and demand. In the absence of interest, and assuming that the supply of interest-free loans cannot be a major role of the banks as profit-seeking firms, bank advances would be made only for the purpose of productive enterprise. Credit would be created only to the extent that there exist genuine possibilities of creating additional social wealth through productive enterprise. The financial resources that banks provide by way of credit will have to be more than fully matched by real resources awaiting mobilisation by entrepreneurs. Credit created on the basis of profit sharing would not be inflationary in the long run. Demand for profit-sharing advances will be limited by the

extent of the available resources and banks' ability to create credit will be called into action only to the extent of this demand, subject to the constraint imposed by profit expectations that satisfy the banks. Supply in this case would not be able to create its own demand as it does at present.

Some further consideration of the nature of bank credit would enable a better appreciation of the rationale of the suggested reform. In the pre-capitalist days loans represented real savings. Command over social produce acquired by making some contribution to it was temporarily transferred to the borrower. With the advent of banking a loan became so much purchasing power created and passed on to the borrower. Payment of interest on loans involved a simple transfer of command over real resources from the debtor to the creditor. Payment of interest on money created *ad hoc* for lending greatly magnifies this effect, raising new questions regarding its justification. Assuming a reserve ratio of 10 per cent and no leakages, saving deposits worth 100 enable the banks to advance 1000 as loans, involving a transfer of 100 per year from the debtors to the bank, assuming the rate of interest to be 10 per cent per annum. Previously, 100 saved and lent would have involved a transfer of 10 per year only. While the repayment of loans extinguishes the money created by banks, the interest paid to it remains. The power of savings to acquire additional resources with the mere passage of time has increased manifold, thanks to the social convention that allows the banks to create credit. What part of the additional resources so acquired goes to the ultimate savers and what accrues to the banks is a different story.

Consider the situation consequent upon a switch over from interest to profit sharing (*mudārabah*). Banks' *mudārabah* advances could still be a multiple of their savings deposits, but their returns accrue as a percentage of profits actually realised when these advances result in creation of additional social wealth. These returns are then shared by the banks with the depositors according to an agreed percentage. Accrual of profits on deposits in this case devolves on exposure to risks involved in productive enterprise. The magnitude of these profits is determined by the conditions of the market and the two rates of profit-sharing which are subject to the forces of demand and supply. The power of real savings to acquire additional resources with the mere passage of time is completely destroyed. Instead they have the possibility of acquiring additional resources to the extent their utilisation in productive enterprise actually results in the creation of additional wealth. Creation of credit by the banks has, no doubt, broadened these possibilities, but their actual realisation depends on the extent of production possibilities available. The social convention that allows the creation of credit is harnessed into action to the extent that the production possibilities available with the society call for it, and its benefits are then passed on to the parties participating in the

fulfilment of this social need at the risk of loss: of their real savings (depositors); or of the reward of the services rendered as agents and intermediaries (banks); or of the reward for entrepreneurial services (firms).

The present system prompts the banks to patronise speculators, other financial intermediaries and the government, who are ideal short-term borrowers. The ultimate investors figure in their portfolios only marginally and often indirectly. The unusually lengthy chain of intermediaries between the ultimate savers and the ultimate investors is largely a product of the ease with which credit instruments can be created and handled, thanks to interest. They bear very little relation to the structure of production. To justify this proliferation of financial intermediaries and credit instruments with reference to the variety of tastes regarding liquidity, risk, size of holding and time period involved, presumes a sanctity for these tastes which is highly doubtful. To a very great extent they are the product of high-powered propaganda and psychological manipulation. One is reminded of the sex industry justifying pornography and all that with reference to the variety of human taste. As in sex and family so in finance and economy, the society must have some norms more stable than shifting tastes exposed to manipulation by interested parties. With a switch over from interest to profit-sharing, the creation of credit instruments will be sharply curtailed.

Public debt has now assumed such proportions that its repayment is no longer considered a feasible proposition. The society must go on servicing these debts by raising more debts, in most of the cases. Side by side there has been a phenomenal growth in consumer credit in the more advanced economies. Abolition of interest will make the provision of consumer credit mostly a welfare service organised by the State. There would also be a limited possibility of using pension funds and the like for providing such credit. Thus curtailed to reasonable dimensions it will cease to threaten the peace of homes and composure of individuals as it does today by creating worries and tensions. The State may be able to raise some interest-free loans from the public, relying for the rest of its capital needs on profit-sharing advances from the public as well as the banks. Foreign capital would also flow in on the same basis. In all these cases repayment and servicing³ (by way of paying the due share of *ex post* profits) will be fully within the competence of the public authority. Co-operative societies may be encouraged to organise instalment purchase for the consumers. While there is every argument in favour of increasing individual efficiency and improving the standard of living through the acquisition of durable consumer goods early in life in lieu of payment out of future income, this has to be done in a manner that does not involve transfer of a sizeable proportion of an individual's income to rentiers by way of interest on credit extended to him.

Reduction in the volume of credit instruments and public debt coupled with curtailment in the size of bank credit will go a long way in halting the tendency towards inflation which has become the bane of modern economies. It will also severely limit the scope of speculation. Arbitrage over time and space, which provides the economic justification for speculation, will have to be rationally organised and guided in an Islamic framework which cannot admit most of the unhealthy forms of speculation prevalent at present. This will have important implications for business cycles. It has been argued elsewhere that abolition of interest and speculation will tend to eliminate business cycles. Investment based on production possibilities directly assessed by the businessmen and bankers are not likely to overstep themselves to an extent that makes a crash in share prices inevitable at a later stage.

Lastly, a switch over from interest to profit-sharing will counter the tendency towards concentration of economic power in the hands of bankers and financiers. Much of this power depends on the permanent state of indebtedness in which important sectors of the economy find themselves. With the abolition of interest the state of indebtedness will be transferred into a position of participation, over a large area of the economy. Indebtedness free of the obligation to pay interest, in so far as it does survive, would not provide the lenders with any instrument of exercising this power. Differential rates of interest and discriminatory terms at which credit could be extended will no longer be available to the banks. The economic power of the bankers and financiers will also decline as the financial sector shrinks in size and its share in the national income goes down, as a necessary consequence of the switch-over from interest to profit sharing.

It is time to turn to the question of feasibility of banking without interest.

Profit-Sharing Banks

Banks can serve as financial intermediaries mobilising savings from the public on the basis of profit-sharing and making advances to firms on the same basis. Banking companies could be established with share capital, the shareholders sharing the profits as well as losses of the banking business. Entrepreneurs obtaining capital from banks would have to share their profits with the banks according to a mutually agreed percentage. The banks would share the profits so accruing to them with the depositors in the "investment" accounts according to a predetermined percentage. This would leave part of the profits with the banks which would, along with the net revenue from fees and commissions charged for other banking services and profits accruing on the investment of the bank's capital, constitute the gross profits of banking.

Liability to losses in the bank-entrepreneur relationship attaches to the bank. Banks could also go in for actual participation in the management of an enterprise, part of the capital coming from the bank and part of it coming from the entrepreneur. In that case both parties would share the profits as well as losses in the proportion of capital supplied by each. Unlike this arrangement (called *shirkah* in Islamic Law) the first mentioned arrangement, called *mudārabah*, attaches liability to losses to the supplier of capital alone, that is the bank, assuming that the entrepreneur does not invest any capital of his own. The banks are not likely, however, to incur losses on their advances taken as a whole. This could be ensured by diversification of investment and supervision of entrepreneurial management. By building up loss-compensating reserves by retaining part of the profits realised on earlier advances, banks could absolve the depositors into "investment" accounts from the risk of loss which in principle attaches to them. Banks would also be able to accept deposits in current accounts payable on demand. These depositors would not be entitled to any share in profits. They may or may not be subjected to any service charges. However, the banks would be obliged to earmark part of their demand deposits for extending short term interest free loans. Other banking services presently performed against fees charged would continue as they are. There is a strong case in favour of combining investment banking and development banking with commercial banking, so that the banks are involved in production and capital formation in a number of ways.

The Central Bank would continue performing its conventional functions even though it would be short of the "Bank Rate" as an instrument of policy. Advice, moral persuasion and regulatory directives, which are already playing an increasingly prominent role, would be reinforced by the fact that the Central Bank would be under the patronage of an Islamic State dedicated to the good of the people. The reserve ratio would remain unaffected as an instrument of policy by the change from interest to profit-sharing. The proportion of their demand deposits which the banks would be allowed to utilise in making profit-sharing advances, designated as "lending ratio", could become a new instrument of policy for adjusting the supply of interest-free loans with their demand. A "re-finance ratio" promising Central Bank credit to commercial banks, to the extent of a certain proportion of interest-free loans given by them, could become yet another instrument of policy for regulating the volume of credit and ensuring bank liquidity. Bonds and securities would be replaced by shares in public enterprises which could provide the Central Bank with a means for open market operations.

Savings would continue flowing into the investment accounts as the

depositors would be assured of a positive return whose rate would fluctuate within reasonable limits, thanks to the pooling of large volumes of savings and diversification of investment by the banks. Given the propensity to save and the *ex ante* rate of profit in productive enterprise, the volume of investment deposits would be a function of the two rates of profit-sharing – between the banks and firms and between banks and depositors. The supply of profit sharing advances would be a function of the volume of total deposits, given the reserve ratio and the lending ratio. Demand for banks' profit-sharing advances would be determined by the expected rate of profits, the rate of profit-sharing between bank and firm, and the rate of profits regarded as the minimum satisfactory rate by the firms.

Short-Term Credit

Supply of short-term loans to business and the related problem of bills of exchange deserve special attention in an interest-free system. It is hardly possible to assess the profitability of very short-term credit intended to meet the liquidity needs of business, hence profit-sharing cannot be the basis of such advances. They have to be provided as loans with guaranteed repayment but free of interest. Service charges can, however, be recovered from the borrowers. Banks can use part of their demand deposits for providing such credit, as they are not obliged to pay any profits to these depositors. Some writers have argued in favour of charging some "profits" on advances made for a month or more, calculated on the basis of the firm's annual rate of profit. In case of bills of exchange involving a period of about three months it could be possible to calculate the specific rate of profit relevant to the capital advanced.

More crucial, however, is the allocation of short-term interest-free loans. How is demand to be adjusted to the limited supply available?

Much of the demand for call money and very short-term credit emanates from within the financial sector itself and is likely to be eliminated as that sector shrinks in consequence of the abolition of interest. In the production sector, the total demand for short-term credit depends on the volume of long-term investment and the extent of trade credit (credit extended by one firm to another) prevalent. Credit needs for the week or the month can be estimated at the macro-level. This could be done by the Central Bank which would then ensure a supply commensurate with the demand by manipulating the "re-finance ratio" and the "lending ratio". The task of allocating these loanable funds at the micro-level would then be performed by individual banks on the following criteria:

1. Specific credit needs of a firm.
2. Social priority attaching to the enterprise.

3. Nature of the security offered against loan.
4. Whether the credit seeker has also obtained long term advances from the bank for the same enterprise.
5. Annual, monthly or weekly average of the applicants' balance in current account with the bank.

It is within the competence of the Central Bank to exercise direct and indirect influence on banks' decisions on the second ground. Discriminatory use of the "re-finance ratio" is a case in point.⁴ Banks are expected to prefer good securities over the not so good and patronise client firms over enterprises in which they have no stakes. A credit seeker's average balances in the current account may provide a basis for overdraft facilities – one form in which short-term credit is granted.

As regards interest-free loans to consumers they have, in general, to be arranged through agencies other than banks which are profit-seeking firms. In an Islamic society consumption loans could be provided out of a *Zakat*-based fund especially set up for this purpose. Some writers have suggested that banks may be entrusted with the operation of such funds. Besides that, banks could offer some overdraft facilities to their depositors, as an incentive.

In all cases of interest-free loans repayment has to be guaranteed, ultimately, by the State. In genuine cases of inability to pay, repayment could be made out of *Zakat* funds too. A comprehensive insurance scheme could also take care of them.

Lastly, notice must be taken of the view that replacement of fixed-interest charges by a percentage share in profits actually realised by the enterprise makes the return on bank advances devolve on honest book-keeping by the entrepreneur. Similarly, depositors in investment accounts will get their due share of profits only if the bank reports its own profits correctly. It is obvious, therefore, that the whole system hinges on the moral standards of the parties concerned.

There is no denying the need for the raising of the moral standards of the people in view of the complementarity between morality and Islamic institutions. It is hoped that such an improvement will accompany an Islamic transformation of society. No less crucial, however, are the economic forces working against cheating and fraudulent account-keeping. Banks as profit-seekers would be guided by the past records of the firms with respect to the profits they made and paid to the banks on earlier advances. Those with a record of giving a higher percentage return on bank advances would have a better chance of obtaining fresh advances. Those who gave a poor return or declared losses would stand little chances of getting fresh advances. It is largely irrelevant for the banks whether the cause were fraudulent book-keeping or bad management. A poor record with respect to profits will deprive a firm of bank advances

in future thus threatening its continuation in business. In their own long-term interests firms will try to maintain a good record of profit-making and desist from practices which cast a reflection on their efficiency as profit-makers. The same applies to profits on deposits. Competition amongst banks will ensure that a tendency to understate banks' profits with a view to distributing smaller profits on deposits is curbed. Should the banks in general indulge in such practices the volume of bank deposits will go down, forcing them to change their practice with a view to attracting more deposits.

Yet another dimension of this problem is the competence of modern techniques of critical audit and management audit in the prevention of cheating and fraud; it is also possible for the bank in most cases to stipulate that all financial transactions of a client firm be routed through such systems.

A switch over from interest to profit-sharing in banking will be greatly facilitated if it is accompanied by other changes involved in an Islamic transformation of society. A total ban on interest will plug the loopholes which could frustrate the suggested reform if it is confined only to the banking sector. A ban on all unhealthy forms of speculation and forward transactions will eliminate many intermediaries and reduce the financial sector to reasonable dimensions. Imposition of *Zakat* on all cash balances will discourage liquidity preference and encourage investment. A comprehensive social security scheme in the broader framework of an Islamic Welfare State will reduce the demand for consumer credit and counter the tendency towards concentration of wealth and economic power. Lastly, a change of attitude from self-centred individualism to the cooperative and humane attitude of "live and help others to live" will change the nature and quality of economic relations in human society.

Prospects

The idea of profit-sharing banks has already caught on and a number of reformed banking institutions have recently emerged. The Dubai Islamic Bank is making good progress mainly through direct participation in trade and industry. The two Islamic banks at Cairo and Khartoum are too recent to show any progress. The first year of the Islamic Development Bank at Jeddah has provided some practical examples of how expected profits can guide investment on a large scale. The idea of equity banks is attracting attention in banking circles of the West. In so far as modern financial organisations have failed to lead a world harassed by their complexities, concentration of economic power and stagnation, the case for reform becomes stronger and the one suggested by us increasingly merits serious consideration.

10 Zakat and Social Justice

M A Zaki Badawi

Zakat as a term is derived from the root *ZAKA* which means to grow. In Islam it is the name given to the tax levied on definite kinds of property and distributed to eight categories of persons or services. To call a tax which is, in effect, a reduction of wealth "growth" may be either in reference to the recipient poor who are expected to "grow" on it, or more likely an expression of hope that it will be more than compensated for, by Allah's blessings. By extension of this meaning the term came also to mean "purity". Thus to pay "*Zakat*" is to purify oneself as well as one's own property. The Prophet (peace be upon him) is commanded in the Qur'an, "*Take of their wealth alms to purify and cleanse them thereby.*" (ix: 103). *Zakat* is also called "*Sadaqa*", although scholars take *Zakat* to be specific to the obligatory form of alms whereas *Sadaqa* encompasses obligatory as well as voluntary alms.

Zakat is one of the five principal obligations of Islam popularly known as the five pillars of Islam. It ranks in importance immediately after the prescribed prayer (*Salat*). It was instituted very early in Islam. The Meccan surahs of the Qur'an make reference to Muslims as those who feed the poor and those in whose property there is a rightful share (*Haqq*) for the poor and the needy. The unbelievers on the other hand are described as failing to encourage others to feed the needy. In fact some Meccan surahs use the very word *Zakat* which is a clear indication that its use in this way was not unknown before Islam. There is little doubt that *Zakat* is enjoined in Judaism and Christianity. "They (the Jews and Christians) were commanded only to serve Allah sincerely devoting their worship to him being men of pure faith and to perform the prayers and pay *Zakat*" (Al-Qur'an LXXXX viii: 5). It is more than likely that it was one of the obligations among the "Hanifs", righteous people in pre-Islamic Arabia.

Throughout the Meccan period, *Zakat* was an obligation left entirely to the worshipper to determine as to value and distribution. It was up to him how much to give so long as it was given to the poor and the needy. In the absence of any political organisation for Muslims in Mecca, there

was no central authority for collection and distribution. But once the Muslim state came into being in Medina, the institution of *Zakat* became centrally administered. Consequently, its value on various kinds of property was determined, agents for collection and distribution were appointed, and those benefiting from it were clearly specified. Reports of its administration during the life of the Prophet (peace be upon him) abound in the Qur'an and the Hadith indicating that *Zakat* was well organised. After the death of the Prophet (peace be upon him) his first successor Abu Bakr had to wage war against those Arabs who suspended the payment of *Zakat* to the authorities of Medina. From then onwards, the Khalifas supervised the collection and distribution of *Zakat* as a major source of revenue and as items of expenditure. During the Khilafa of Uthman, it appears that certain categories of property were exempted from *Zakat*, and the payment of *Zakat* on these categories of property was left to the consciousness of the individual Muslim. In the present day, under the influence of modern taxation systems, *Zakat* has virtually disappeared from the vocabulary of most Muslim governments. Secularism, which is the doctrine that informs government actions in the large majority of Muslim countries, implies equal treatment for all citizens irrespective of religion. *Zakat* as a religious duty does not have a place in the secular scheme of things.

This brings us to the point where we must ask whether *Zakat* is a ritual, pure and simple or a stipulation which involves aspects of human relationships that must be taken fully into account. The answer to this question is of crucial importance for it determines how *Zakat* is administered and whether it can be utilised as an effective instrument of social justice.

The rules of Islam come under three major categories: doctrine, ritual and those rules pertaining to human relationships. In so far as the doctrinal and the ritual aspects are concerned there is no possible modification whatsoever; only in the sphere of human relationships (*mu'amalat*) are we allowed to use our judgement (*ijtihad*) to meet the contingencies of the human situation. As Rashid Rida said: "Doctrines and rituals have been perfected in detail, they are not subject to addition or subtraction. Whoever adds to or subtracts from them is changing Islam and bringing forth a new Religion." (*Al-Manar* Vol. IV, 210). Now, if *Zakat* is to be seen as a ritual pure and simple, then our task would be to seek detailed information regarding its application by the Prophet (peace be upon him) and his companions and having obtained such information to follow it to the letter without the slightest alteration. On the other hand if we accept that it is more than a ritual, that it has to do with human affairs, then it would be possible to reframe the rules to suit those conditions for which we have no direct ruling in the text. This would have

to be done within the framework of Muslim law and utilising its accepted procedure of analogy (*qiyas*) and considerations of public interest (*maslahah*). Most scholars have opted for the second point of view. They were therefore able to extend the rules of *Zakat* to types of property that were not directly covered during the lifetime of the Prophet. They assumed, correctly in my view, that the social and economic purposes of *Zakat* cannot be adequately served without being extended to all areas of economic activities. However, none of our traditional scholars of law has consistently adhered to this philosophy. The ritual element of *Zakat* has on occasions influenced the judgement even of the Hanafi scholars who usually are the most daring in their use of opinion (*ra'y*). For this reason, the student of *Zakat* is faced with such conflicting guidelines as to cause him much confusion. There is unanimity only with regard to the most fundamental aspects, but the vast area of detail is subject to differing views resulting from different experience, different approaches or different levels of scholarship.

Perhaps partly because of this, *Zakat* became a neglected theme in the field of Islamic Studies. Few modern writers ventured to undertake to study the subject with the seriousness it deserves. Apologists of Islam are apt to make large claims for *Zakat* as a vehicle for social justice but never substantiate their claims with the necessary evidence. There is no lack of such evidence in the literature but the task of setting, assessing and convincingly presenting it is a daunting one. Among the few who made valuable contributions to the study of *Zakat* are Shaykh Abu Zahrah, Shaykh Makhluf and Dr. As-Siba'i Al-Arabi de Zayas and Yusuf Al-Qardawi. Dr. Qardawi's study is most erudite and helpful. It contains detailed information on the views of earlier scholars and their bases in the Qur'an and the *Sunnah* together with some imaginative suggestions by the author.

Before we go any further I would like to voice a word of warning about the way many enthusiastic Muslims regard the Islamic system of economics. They regard it as being quite distinctive both in outline and in detail from all the contending economic theories of our age. One cannot quarrel with their desire but one must emphasise the fact that human problems are very much the same everywhere and the number of solutions is extremely limited. Muslim scholars have felt obliged to support positions that could be described as capitalistic in nature such as the view regarding private property, or socialistic such as those relating to the limitations on the individual's right to property and the precedence given to public interest vis-à-vis that of the individual. A Muslim must refrain from such an atomistic analysis which is both scientifically illegitimate and religiously misleading. The distinctive nature of Muslim economic theory is manifested in its totality, in the balance that it seeks to

effect between the freedom that spurs the individual to perform to the best of his ability and the control that society must exercise over the more successful and aggressive so as to effect a reasonable cohesion and tolerable distribution of wealth. Individual measures might appear to tilt in this or that direction but the balance must be maintained.

There is yet another word of warning. The economic system is but one aspect of the whole way of life that is Islam. The Islamic economic system, as we shall see, is not a mechanistic system devised for robots. It is a dimension of a society motivated above all by a true faith and guided by a Divine ethical system. *Zakat* is only a part of the Muslim economic system. Like all taxes it is useful as a measure of property distribution. Obviously it functions as an instrument of social justice most effectively only where all other aspects of Islamic economic policy are in operation. To graft it onto a wholly un-Islamic economy may effect certain improvements but the counter-forces inherent in such a system are bound to limit its usefulness.

There is yet another observation which we must bear in mind concerning Muslim rules of conduct or Muslim law. Unlike secular legal systems Muslim law is identical with Muslim ethics. What is punishable in Islam is also morally wrong. Conversely what is obligatory is "morally right". This gives Muslim law an added strength for it does not, like man-made law, depend wholly on the force of the State but primarily on the dictates of conscience. The rule of law is most effective when its safeguards are deeply rooted in the heart of the citizen.

Zakat is one of the sources of income of the Muslim Treasury (*Bayt al-Mal*). It is levied to meet specific expenditure. As it is a Muslim ritual it is obligatory only on Muslims. Non-Muslims are not asked to pay *Zakat* any more than they are asked to perform *Salat*. And because *Zakat* is instituted for the benefit of the disadvantaged and the public-spirited, it is, in the view of all contemporary scholars, applicable to the property of the minor who is not otherwise obligated to perform similar religious duties such as Prayer or Fasting or Hajj.

Property liable for *Zakat* falls under one of three categories:

1. Grazing animals such as camels, cattle or sheep.
2. Silver and gold, and money used for trading purposes.
3. What is obtained from the earth such as fruit, and grain, and also treasure-troves and the produce of mines, such as gold, phosphate or oil and the produce of the sea.

Zakat, in the view of contemporary scholars, has much wider application than is reported in the works of earlier scholars. As pointed out earlier, some scholars were so influenced by the nature of *Zakat* as an act

of worship that they exacted it only from the crops or animals mentioned specifically in the *Sunnah*. Thus, horses are exempted from *Zakat* by some and vegetables by almost all of them. Taking the view that *Zakat* is a source of revenue, none of our present day scholars accept this. They derive guidance from the practice of Umar, who in discovering that horses were far more valuable than cattle or camels reversed his decision of exempting them and levied *Zakat* on them.

It would be contrary to Islamic justice and to commonsense to tax rice, for instance, and demand no tax on rubber, cocoa, or vegetables for the profit derived from each of these is far greater than from rice. Yet some *ulama* in Malaysia, for instance, advise their Religious Affairs Department to tax the poor paddy grower and exempt the wealthy rubber planter. The tax specified in this category is 5% if the plants or trees are watered by direct human efforts and 10% if watered by rain or inundation.

Treasure troves are subject to 5% (though some put it at 2.5%). Metal such as gold and minerals such as oil are classed by our scholars as subject to 20% tax (although the rules of the Hanafi School would exempt oil from *Zakat* altogether). In my view all such metals and minerals should come under the jurisdiction of the *Bayt Al-Mal*, with 20% for *Zakat* and the rest to be used for the general purposes of the State.

Money used for trade or simply kept out of circulation would be subject to 2.5% from both capital and profit. Thus, keeping money out of circulation would mean reducing its value by this amount, a sufficient deterrent against hoarding.

I do not intend to give detailed information as to the tax due in every category. My purpose is adequately served by the general statement that:

- a. all capital that is potentially – not necessarily actually – growing is subject to *Zakat*. (The Qur'an says "take of their property", so it is a general rule.)
- b. *Zakat* is due on any item only when the amount owned reaches a specified amount below which there is no *Zakat*. That specific amount is called *Nisab*.
- c. In the case of animals and trade, the property must be in the possession of the same person for a whole year.
- d. Objects used by the person either for his everyday living such as his house, or a not excessive amount of jewellery for his wife, or the instruments with which he earns his income such as the carpenter's tools or the industrialist's factory, are exempt from *Zakat*.
- e. Salaries and irregular earnings from professions or trades (such as a car-repair business) are subject to *Zakat* on the same basis as commercial activity.

The proceeds from *Zakat* are to be paid to the following categories of disadvantaged person:

1. The poor (*faqir*) who has no income. He is to be given as much as he needs.
2. The needy (*Miskin*) whose income is to be supplemented to meet his needs.
3. Slaves who are seeking freedom or for freeing slaves by saving them from their masters. This category, contrary to the prevailing view, is still very much with us. It includes all those who are fighting for their freedom, such as the Palestinians, the Moros of the Philippines, the Namibians and the Zimbabweans.
4. The wayfarer (*ibn as-sabil*) who is on a lawful journey and who is embarrassed financially. A person might be aided to undertake journeys such as seeking education or going on Hajj.

Zakat is also paid to the following categories of person in recognition of their services to the community:

1. The armed forces (fighting *sabil Allah*).
2. Those who advance money for a public cause (*al-ghuramaa*), such as solving a dispute or building a public utility. This category includes victims of disasters such as floods, fires, earthquakes etc. This is obviously in the nature of social insurance.
3. The *Zakat* official (*Amil*) who is to receive wages commensurate with his work.

The last category is to cover those who are new to Islam and who are in such a social position as to make them leaders to be followed by their own people. Such people might also obtain funds from *Zakat*; they are called *al-Mu'allafat Qulubuhum* – those whose hearts have been reconciled to truth.

This category is still very much with us as Islam is establishing roots in many new lands. The conversion of a respected leader might be worth a great deal for the cause. Financial help should be given to him to expand an obviously needed project or to compensate him for any loss sustained as a result of being a Muslim.

These categories are the exclusive categories of *Zakat* recipients as determined by the Qur'an: "Alms are only for the poor, and the needy and those employed to administer the alms and those whose hearts have been (recently) reconciled (to truth) for those in bondage and in debt, in the way of Allah, and for the wayfarer. (Thus is it) ordained by Allah." (Al-Qur'an ix:60). Let us now

consider the effectiveness of *Zakat* in achieving social justice bearing in mind that the full benefit of *Zakat* can only be realised in a fully integrated Muslim society, managing its economy and its life in accordance with the precepts of Islam.

Under a Muslim system, property can only be acquired through legitimate means; this excludes money acquired through usury (*riba*), the monopoly of foodstuffs or essential commodities (*ihtikar*) or by cheating (*ghish*) or taking by force. Properties so acquired are regarded in Islam to be illegitimate. The force of the State must be used to put things right. Added to this, the Muslim law of inheritance also operates to effect a redistribution of wealth, thus preventing large fortunes being in the same hands for too long. Even in the usual circumstances (such as in the early Islamic wars) when wealth may have been legitimately accumulated, the restriction on the right to property which Islam imposes to ensure that no abuse of right takes place would make such wealth far less menacing to society than it might be under any other system of ownership. Thus, Islam allows the individual to satisfy his psychological need to possess objects that he likes or needs while securing others against any abuse arising from the misuse of his property.

Zakat adds to such a system a vital dimension which enhances the reality of social justice. Social justice in Islam does not mean equality of wealth. It does not mean the abolition of differences in social position, and such differences in wealth and in prestige in no way militate against the concept of justice. Indeed absolute equality might be the manifestation of the most appalling injustice. In societies where it was sought to impose equality of reward lethargy resulted. The resulting loss of incentive led to stagnation in economic life hitting the weak hardest of all.

Zakat demands of the wealthy, the able and the fortunate to part with their wealth in favour of those not so endowed. Thus no one under Islam, whether a Muslim or not (most scholars accord non-Muslim citizens who are poor the right to assistance from *Zakat*), shall be destitute. As *Zakat* is a right, the poor who are denied it by the wealthy may legitimately acquire it by force. It is the oldest social security system on earth.

Social justice exists not only in the sphere of material need. The higher needs of man are also considered in the institution of *Zakat*; witness the fact that it is classed not as a charity but as a right. The poor beneficiary need not therefore feel devalued, he need not ask any one individual and accept an inferior position vis-à-vis his benefactor. Indeed, the concept and practice of *Zakat* in Islam makes the giver experience a sense of gratitude towards the poor, who avails him of the opportunity to fulfil his duty to his Creator and to purify his wealth and his person. This can be witnessed today where *Zakat* is not collected by the Government. I have witnessed on many occasions (in Nigeria among other countries) men of

wealth who were compelled by no force other than their conviction, and no hope of reward from anyone but Allah.

Zakat also downgrades ownership as such by encouraging everyone to regard the relinquishing of wealth, not only as an act of merit but almost as a habit. Every Muslim is enjoined to give of his own wealth to others. Even the poor and the needy are, according to the best authorities, liable for paying *Zakat al-Fitr*, which is due once a year after the end of the fasting month of Ramadan. In this way Islam encourages every individual to look upon money not with the eye of the greedy, but with the feeling of the generous and the helpful. The class struggle, so called, is supposed to be based on the concept of exploitation for money. In the Islamic system money becomes less of a motive force than the higher concepts of the satisfaction of Allah and of the effective contribution to the services of the community as a whole; in this way one of the causes of the class struggle is removed. On the other hand, the poor who is supposed to struggle against the wealthy for the sake of equality would find in the Islamic system that wealth is not as threatening or oppressive as in other systems. In short, cupidity which is the plague of capitalism is thus excised from the body economic of Islam.

Zakat is also a weapon against hoarding, since money whether utilised or not is taxable at the same rate. Those who keep their money out of circulation and consequently affect the economic growth of society would be severely punished by having their wealth reduced annually to the point of extinction. We know how difficult it is for our society to induce those with capital to invest, in times where the profit margin is low. Capitalism to draw out investment money uses the carrot of profit, and it exacts no punishment for refusing the incentive. Islam, by taxing capital as well as profit, forces the capitalist to put his money into circulation and thereby keep the economy going. This is circulation in the real social sense, where the aim is to serve society as a whole. It should not be mixed up, for example, with the Western demand for circulation of oil money. This Western "circulation" is theft by another name, the aim of which is to acquire full authority over oil money without the views of its owners being either considered or even sought.

Zakat, as we have seen, is social insurance *par excellence*. Those who suffer disasters or who incur debts in the pursuit of a socially beneficial objective can redress their loss in full through *Zakat*. There is no need for vast and complex insurance companies with their involvement in usury and its reliance on chance to give protection to the member of the Muslim community. The insecurity on which the insurance man thrives is removed totally from our society by the *Zakat* guarantee-backed by the vast funds of the State itself.

In the last analysis, society and not the insurance company is the real

source of the funds paid to the insured. The *Zakat* system saves unnecessary financial and human resources being involved in the establishment of the insurance companies.

Zakat funds can also be made available for young bachelors to get married or a young couple to pay for their home and to meet their essential commitment as a new family.

In a Muslim society where the law of Islam is in full force and the precepts of Islam are held in respect there is no need for a beggar to beg. He will have his rights delivered to him without loss of dignity. There is no need for a poor man to go hungry or a deprived man to live in want, for it is the responsibility of the state to remedy the poverty of the poor and to satisfy the needs of the needy. There is no need for the able to remain unemployed for the State would have the duty to secure employment for the unemployed in accordance with their skills. In a revealing story reported in the books of the Hadith, the Prophet (peace be upon him) equipped an able-bodied beggar with a stick and advised him to gather wood for sale. The beggar did and within 15 days he became an independent self-supporting and self-respecting worker. Present-day society must provide every able person with the equivalent of the prophetic stick in tools and equipment to enable him to contribute fully to the society and to achieve his full potential. I do not believe that unemployment, the disease of the usurious, capitalist society can ever exist in a society ordered in accordance with Islamic ideas.

The picture that emerges from this description may appear Utopian but it is feasible and it has happened in history. Islam has always refrained from setting unobtainable goals for man. It is described even by its detractors as a practical religion. A system which attempts successfully to balance the tension between individual freedom and social control, between the rights to property and the duty to society, between the desire to own and the duty to give, is a system which will cure the illness of human society.

The Islamic system which guarantees work, social security, social insurance, respect for the dignity of the individual, respect for property as a social asset before being an individual possession, creates an atmosphere of true brotherhood. The area of conflict based on conflict of interest is narrowed and its effect is combatted, on the one hand by the training of the individual to despise wealth for its own sake, and, on the other, by instilling in the heart of every Muslim a true sense of brotherhood. It has been observed that the sense of brotherhood that binds Muslims together despite their many vicissitudes and failures is so strong as to obliterate tribal, linguistic, racial and national frontiers. Indeed, in the concept of Islam the membership of the brotherhood of the faith is the first and most important criterion of a Muslim. At the personal level *Zakat* helps in the

growth of the personality of the giver. As we know, the infant is, as they say, egocentric; it sees the world through its own needs and its own person. It considers no one and nothing but itself. As the infant grows into the child its sense of others and its perception of the people around becomes more and more evident. Egocentrism grows less as the child matures. When the child becomes an adult the maturity of the adult must be measured by consideration for others. This is the reason why all religions, chiefly Islam, praise unselfishness so highly. Conflict arises when we see only our own needs and our own desires; brotherhood thrives when we endeavour to give others the maximum consideration and help. This is the spirit of *Zakat*.

What is the position of *Zakat* in the present-day world? Many Muslim states organise their economies and tax system on a strictly European basis. You can avoid paying taxes to the State. There is no doubt in my mind that many of our distinguished leaders demonstrate their power and authority by paying nothing or as little as possible of their taxes. When the law is based on no ethical values and no religious foundations it can command but little respect, even from those who are supposed to be its guardians. Many Muslim individuals living under this secular system satisfy their conscience by distributing *Zakat* themselves. Others have mollified their own guilt by following the more lenient interpretation of the law which absolves those who pay taxes from paying *Zakat*. Now I do not believe that the modern secular taxation system is an adequate substitute for the divine institution of *Zakat*. I share the opinion of those who believe that the secular system of taxation does not absolve Muslims from paying *Zakat*; it only absolves them of payment for the money taken in taxation. It is my belief that every Muslim should pay *Zakat* to an institution for *Zakat* collection and distribution, such an institution being created wherever there is a sufficiently strong Muslim community. There should also be a review of the great wealth that has suddenly been acquired by countries through vast natural resources, such as oil and phosphates. There is in this vast wealth a large share for *Zakat* which is the property of the whole *Ummah*. This share is 20% according to the authorities of old. I feel that the existence of this right demands a body representative of the whole *Ummah* to administer its property. Admittedly, many of these rich countries have contributed funds for the hungry and deprived in the Muslim areas outside their own boundaries. This however is given most of the time for considerations other than the fact of the recipients being needy Muslims. It was given for political ends, not always in accordance with the aims and purposes of the *Shari'ah*. The recipient country acquired the aid not as a right, but as a charity, all of which is a nullification of the spirit as well as the letter of *Zakat*.

There are also vast sums of money committed to supposedly serving the cause of Islam. In fact many states, while raising the flag of Islam, unleash with their money forces antagonistic to other Muslims and to the unity of the *Ummah*. Perhaps the international *Zakat* authority, acting in the spirit of Islam and in the spirit of brotherhood, may be able to harness this huge wealth in the service of Islam and of humanity.

The application of *Zakat* in isolation in a secular society is not going to make such a society into a Muslim society. It will certainly contribute to its betterment, but little more. It is true that *Zakat* is a fundamental principle of Islam, but by itself it does not constitute Islam any more than an engine on its own constitutes a motor car. It has the potential to move, but it cannot function properly and fully until and unless it is placed in its proper setting. The institution of a *Zakat* authority in every Muslim country, and the institution of an international *Zakat* authority, may be the first step towards a real and fundamental change of direction in Muslim society, a change towards Islam.

II The Promotion of an Equitable World Order – The Muslim Role and Contribution

A M Hegazy

The Problem Today

It is a fact that the world economic order (in mid-1977) is threatened, and it is also true that there are efforts being made by various parties to find a solution to replace confrontation and conflict by coordination and co-operation. World problems have been piling up over recent years: the armaments race, population growth and unemployment, shortages of natural resources and energy, the human environment and settlement problems, barriers and disturbances in international trade and monetary systems, monopoly in science and technology, difficulties in the use and transfer of capital, the slowness of development programmes and income distribution problems. There exist inequalities in the standards of living of individuals, and between societies or nations. The gap is widening between individuals and countries to an extent that the rich are becoming richer and the poor are getting much poorer.

The systems of Capitalism and Communism at both extremes have failed so far to create a society of peace and stability whether it be for the individual or for the people at large; whether in individual communities, or on a wider international plane. Other “-isms” have developed with varying philosophies and strategies but they are still unable to bring to the world a better understanding of the problems outlined above, and do not provide final solutions for the welfare of mankind. Leaders, statesmen, politicians, scientists, specialists and many others are still searching for new strategies, ideas, and systems to solve the problems facing humanity.

The need for change is apparent, and a process of reorganisation is pressing. As the history of mankind is a continuous process of change in the face of threats and dangers, the demand for a new international order must be placed within such an historical process. It is this process which provides the dynamism in the struggle to improve living conditions and increase control over nature for the benefit of all living creatures. A group of thinkers have recently outlined the fundamental aims of a new

world order as the achievement of a life of dignity and well-being for all inhabitants of the world, as citizens, producers and consumers. This implies the need for guiding elements which serve to shape development efforts. Although not mutually exclusive, they can be summarised as follows: *Equity, Freedom, Democracy and Participation, Solidarity, Cultural Diversity and Environmental Integrity.*

Many in this RIO (Reshaping International Order) group believe in an equitable social order which could best be described as *Humanistic Socialism* since it would aim at equalising opportunities within and among nations and be founded on universal human values.

New development strategies must be shaped and could be divided into five main components which can be summarised as follows:

- a. the satisfaction of basic needs;
- b. the eradication of poverty;
- c. self-reliant and participatory development;
- d. the exercise of public power;
- e. balanced Eco-Development.

These pillars in mind are as relevant to developed as to under-developed nations. They are regarded as essential pillars upon which attempts should be made to construct an equitable social and economic order. But at the same time the RIO group believes that the new international order is not a panacea for all that is wrong in the world of today. It cannot lead to complete and real equality among nations, but it can result in a reduction in inequalities and in the equitable distribution of global opportunities and in doing so lay the foundations for real cooperation. Their strategies of change, they think, must be based upon this recognition.

Islam a Turning Point in History

This review of world problems and new efforts taking place focuses on the changing pattern in the global economy of the world. Mankind seems to be witnessing new challenges, new balances of power, new demands for change and innovation, that may, if not satisfactorily resolved, present new dangers to peace and progress.

But we seem to forget or pass over history, and neglect an original movement concerned with the welfare of mankind and which developed a world of progress, prosperity and peace. It is our task to examine and present this major historical development in the history of mankind which ushered in an equitable world order based on an integrated framework of a material and spiritual society. The strategy and guiding principles used are as practical as they are flexible and could be implemented

at any time and in any society. They are divine and not man-made and are meant for all mankind whether in the east or west, north or south, black or white. They are the principles of Islam.

The philosophy of Islam starts from the fact that God is the Creator. He has placed us as vicegerents on this earth.

God has honoured us with wisdom and judgement and has put us on a special rank over all creatures:

وَلَقَدْ كَرَّمْنَا بَنِي آدَمَ وَحَمَلْنَاهُمْ فِي الْبَرِّ وَالْبَحْرِ وَرَزَقْنَاهُمْ مِنَ الطَّيِّبَاتِ
وَفَضَّلْنَاهُمْ عَلَى كَثِيرٍ مِمَّنْ خَلَقْنَا تَفْضِيلًا

"Verily We have honoured the children of Adam. We carry them on the land and the sea, and have made provision of good things for them, and have preferred them above many of those whom We created with a marked preferment."¹

The Qur'an explains how God has put at our service a number of bounties:

اللَّهُ الَّذِي خَلَقَ السَّمَوَاتِ وَالْأَرْضَ وَأَنْزَلَ مِنَ
السَّمَاءِ مَاءً فَأَخْرَجَ بِهِ مِنَ الثَّمَرَاتِ رِزْقًا لَّكُمْ
وَسَخَّرَ لَكُمُ الْفُلْكَ لِتَجْرِيَ فِي الْبَحْرِ بِأَمْرِهِ وَسَخَّرَ لَكُمُ الْأَنْهَارَ
وَسَخَّرَ لَكُمُ الشَّمْسَ وَالْقَمَرَ دَائِبَيْنِ وَسَخَّرَ لَكُمُ اللَّيْلَ وَالنَّهَارَ

"Allah has created the heavens and the earth, and causes water to descend from the sky, thereby producing fruits as food for you, and maketh the ships to be of service unto you, that they may run upon the sea at His command and hath made of service unto you the rivers and maketh the sun and the moon constant in their course, to be of service unto you and hath made of service unto you the night and the day."²

الْقَوَارِ وَالْأَنْدَالِ اللَّهُ سَخَّرَ لَكُم مَّا فِي السَّمَوَاتِ وَمَا فِي
الْأَرْضِ وَأَسْبَغَ عَلَيْكُمْ نِعَمَهُ ظَاهِرَةً وَبَاطِنَةً

وَمِنَ النَّاسِ مَنْ يُجَادِلُ فِي اللَّهِ بِغَيْرِ عِلْمٍ وَلَا هُدًى وَلَا كِتَابٍ مُنِيرٍ

"See you not how Allah has made serviceable unto you whatsoever is in the skies and whatsoever in the earth and has loaded you with His favours both without and within. Yet of mankind is he who disputeth concerning Allah, without knowledge or guidance or a scripture-giving light."³

The challenge is put forward when God's trust in mankind is expressed in terms of *effort* and *action* on the one hand and *reward* on the other:

وَأَنْ لَّيْسَ لِلْإِنْسَانِ إِلَّا مَا سَعَىٰ وَأَنَّ سَعْيَهُ سَوْفَ يُرَىٰ
ثُمَّ يُجْزَاهُ الْجَزَاءُ الْأَوْفَىٰ وَأَنَّ إِلَىٰ رَبِّكَ الْمُنْتَهَىٰ

"And that man hath only that for which he maketh effort And that his effort will be seen And afterward he will be repaid for it with fullest payment And that thy Lord, He is the goal."⁴

This role of believers on earth should be carried out with an attitude of cooperation and not of greed or envy as God has created us as brothers looking for his mercy.

إِنَّمَا الْمُؤْمِنُونَ إِخْوَةٌ فَأَصْلَحُوا بَيْنَ أَخَوَيْكُمْ
وَاتَّقُوا اللَّهَ لَعَلَّكُمْ تُرْحَمُونَ

"The believers are naught else than brothers. Therefore make peace between your brethren, and observe your duty to Allah that haply ye may obtain Mercy."⁵

When we as believers form communities, it is again the command of God that we give priority in our behaviour to good conduct, decency and peace between brothers, but people have among them those who differ, dispute and even disbelieve:

وَلَقَدْ أَهْلَكْنَا الْقُرُونَ مِنْ قَبْلِكُمْ لَمَّا تَاطَمَعُوا
جَاءَتْهُمْ رُسُلُهُمْ بِالْبَيِّنَاتِ وَمَا كَانُوا لِيُؤْمِنُوا
كَذَلِكَ نَجْزِي الْقَوْمَ الْمُجْرِمِينَ
ثُمَّ جَعَلْنَاكَ خَلِيفَ فِي الْأَرْضِ مِنْ بَعْدِهِمْ لِنَنْظُرَ كَيْفَ تَعْمَلُونَ

"We destroyed the generations before you when they did wrong, and their messengers (from Allah) came unto them with clear proofs (of His Sovereignty) but they would not believe. Thus do We reward the guilty folk. Then We appointed you vicegerents on earth after them, that We might see how ye behave."⁶

وَلْتَكُنْ مِنْكُمْ أُمَّةٌ يَدْعُونَ إِلَى الْخَيْرِ وَيَأْمُرُونَ
بِالْمَعْرُوفِ وَيَنْهَوْنَ عَنِ الْمُنْكَرِ أُولَٰئِكَ هُمُ الْمُفْلِحُونَ
وَلَا تَكُونُوا كَالَّذِينَ تَفَرَّقُوا وَاخْتَلَفُوا مِنْ بَعْدِ مَا
جَاءَهُمُ الْبَيِّنَاتُ أُولَٰئِكَ لَهُمْ عَذَابٌ عَظِيمٌ

"Let there be among you a nation who invite to goodness and enjoin right conduct and forbid indecency. Such are they who are successful. And be ye not as those who separated and disputed after the clear proofs had come unto them. For such there is an awful doom."⁷

وَمَا كَانَ النَّاسُ إِلَّا أُمَّةً وَاحِدَةً فَاخْتَلَفُوا وَلَوْلَا
كَلِمَةٌ سَبَقَتْ مِنْ رَبِّكَ لَفُضِّىَ بَيْنَهُمْ فَيَسْتَفِئُونَ

"Mankind were but one community; then they differed; and had it not been for a word that had already gone forth from thy Lord, it had been judged between them in respect of that wherein they differ."⁸

وَلَوْ شَاءَ رَبُّكَ لَجَعَلَ النَّاسَ أُمَّةً وَاحِدَةً وَلَا يَزَالُونَ مُخْتَلِفِينَ

"And if thy Lord had willed, He verily would have made mankind one nation, yet they cease not differing."⁹

Through Islam, Muslims are told they could bring peace to mankind and the world.

كُنْتُمْ خَيْرَ أُمَّةٍ أُخْرِجَتْ لِلنَّاسِ تَأْمُرُونَ بِالْمَعْرُوفِ
وَتَنْهَوْنَ عَنِ الْمُنْكَرِ وَتُؤْمِنُونَ بِاللَّهِ

"Ye are the best community that has been raised up for mankind. Ye enjoin right conduct, and forbid indecency and ye believe in Allah."¹⁰

وَكَذَٰلِكَ جَعَلْنَاكُمْ أُمَّةً وَسَطًا لِتَكُونُوا شُهَدَاءَ عَلَى
النَّاسِ وَيَكُونَ الرَّسُولُ عَلَيْكُمْ شَهِيدًا

"Thus we have appointed you a middle nation, that ye may be witness against mankind and that the messenger may be a witness against you."¹¹

The climax of such relations is best expressed by the following verse in the Qur'an:

يَا أَيُّهَا النَّاسُ إِنَّا خَلَقْنَاكُمْ مِنْ ذَكَرٍ وَأُنْثَى
وَجَعَلْنَاكُمْ شُعُوبًا وَقَبَائِلَ لِتَعَارَفُوا إِنَّ
أَكْرَمَكُمْ عِنْدَ اللَّهِ أَتْقَاكُمْ إِنَّ اللَّهَ عَلِيمٌ خَبِيرٌ

"O mankind! We have created you male and female, and have made you nations and tribes that ye may know one another. Indeed the noblest of you in the sight of Allah is the best in conduct. Indeed! Allah is Knower, Aware."¹²

In all these verses, the stress is put on good conduct against indecency, on unity against separation, on agreement against dispute, on brotherhood against enmity. No doubt these virtues vouchsafe dignity for mankind; without them we have a world of corruption, hypocrisy and unbelief. It is our duty to free and purify ourselves first, and then our communities, from such vice which are obstacles on one straight path of God. Without this action nothing would change.

لَهُ مُعَقِّبَاتٌ مِنْ بَيْنِ يَدَيْهِ وَمِنْ خَلْفِهِ يَحْفَظُنَّ
مَنْ أَمَرَ اللَّهُ إِنَّ اللَّهَ لَا يُغَيِّرُ مَا بِقَوْمٍ حَتَّى يُغَيِّرُوا مَا بِأَنْفُسِهِمْ
وَإِذَا أَرَادَ اللَّهُ بِقَوْمٍ سُوءَ أَفْلٍ أَمَرَدَلَهُ وَمَا لَهُمْ مِنْ دُونِهِ مِنْ وَالٍ

"For him are angels ranged before him and behind him, who guard him by Allah's command. Lo! Allah changeth not the condition of a folk until they (first) change that which is in their hearts; and if Allah willeth misfortune for a folk there is none that can repel it, nor have they a defender beside Him."¹³

This is the first challenge to all of us, without regard to nationality, race, sect or colour. It is a spiritual and moral challenge to build up a world of believers in God the Almighty and to stress universal human values to save ourselves and mankind from evil, and disorder. But can we achieve this target – even in the Muslim world – before we embark on the strategy and mechanism of development both economic and social in the wider world in which we live?

This challenge leads to the question of information and the use of mass media to set standards of goodness starting from the individual and the family up to the community and nations at large. This cannot be done

unless all leaders (*Imams*) set the right example. The Prophet Muhammad (peace be upon him) has said rightly that each one of us is a "shepherd" and responsible for his flock – the man for his family, the wife for her home and so on.

Islam – Development for Progress and Prosperity

In the search for an equitable world order, Islam has brought into being a framework of economic principles and concepts which if applied properly and implemented world wide, could achieve a well-balanced standard of living for mankind on an equitable basis. The gap between the rich and the poor is widening and nations are now classified according to their GNP or per capita income into the following groups:

1. Developed industrialised consumer countries.
2. Developing producer countries.
3. Developing rich oil countries.
4. Underdeveloped countries.

The annual per capita income ranges from a few U.S. dollars (\$50) in poor countries to thousands of dollars (\$7500–15000 or more) in developed countries or in oil rich developing countries.

However, the almost exclusive emphasis on GNP and per capita income as indicators of human worth and development has tended to distort and to limit man's quest for prosperity and fulfilment.

In the search for an equitable world order, we should rather start from the following facts and recommendations.

1. That God is the Creator and all development efforts are undertaken for the sake of God.
2. That God has appointed us as vicegerents on earth so that He might see how we behave.
3. That God has given us power on earth and means for sustenance. We should orient our policies in order to ensure sufficiency and peace for all.
4. That development should encourage lawful activities and forbid unlawful ones. [This stresses the importance of outlining policies and the determination of priorities for commodities and services, a process of choice to be decided upon by the individual and the state.]
5. That mankind should expend its efforts for the cause of God, Who entrusted him to make use of the bounties on a fair and equitable basis, without monopoly or trampling on others' rights. While fair competition is welcomed within certain limits, emphasis must be

placed on consultation and cooperation.

6. That God has endowed some people and countries with greater resources but they will be judged on how responsibly they use these resources. The individual has been given freedom of enterprise and initiative but society is also authorised to check any misuse of authority and to regulate life in such a way that justice is established in human affairs. The road to progress and welfare is fostered not through class and group tensions but through morally motivated cooperation and mutual participation.

7. That mankind is ultimately responsible to God and must believe in reward and punishment, in the life hereafter, in Heaven and Hell.

8. That development in Islam is not absolutely economic, but may be described as socio-economic. The profit motive is not the chief yardstick for evaluating growth and development. As the aim of development is the welfare and well-being of mankind the humanitarian aspect is of the utmost importance. Given the right motivation all economic activity assumes the character of worship.

9. That wealth belongs to God and He has ordained it for the good of society. Wealth and children are described as an ornament of life. Wealth and lives must be spent in striving in the way of God:

الْمَالُ وَالْبَنُونَ زِينَةُ الْحَيَاةِ الدُّنْيَا

*"Wealth and children are an ornament of the life of the world."*¹⁴

وَجَاهِدُوا بِأَمْوَالِكُمْ وَأَنْفُسِكُمْ إِنَّ كُنْتُمْ تَعْلَمُونَ

*"And strive with your wealth and your lives in the way of Allah. That is best for you if ye but know."*¹⁵

Then the Qur'an announces that

وَمَا الْحَيَاةُ الدُّنْيَا إِلَّا مَتَاعُ الْغُرُورِ

*"The life of this world is but comfort of illusion."*¹⁶

10. That Islam encourages saving for investment and moderate spending and forbids hoarding, extravagance and conspicuous consumption.

وَالَّذِينَ يَكْنِزُونَ الذَّهَبَ وَالْفِضَّةَ وَ
لَا يُنْفِقُونَهَا فِي سَبِيلِ اللَّهِ فَبَشِّرْهُمْ بِعَذَابٍ أَلِيمٍ

*"They who hoard up gold and silver and spend it not in the way of God, unto them give tidings of a painful doom."*¹⁷

وَالَّذِينَ إِذَا أَنْفَقُوا لَمْ يُسْرِفُوا وَلَمْ يَقْتُرُوا وَكَانَ بَيْنَ ذَلِكَ قَوَامًا

*"And those who when they spend are neither prodigal nor grudging, and hold a just balance between the two extremes."*¹⁸

11. That real ownership belongs to Allah, and man is entrusted to make use of it, and be accountable to Him in accordance with rules clearly laid down in the *Shari'ah* and principles enunciated in the Qur'an.

Such are some of the salient features of Islam towards economic development which must be socially oriented. Individuals and groups in the spirit of brotherhood are enjoined to co-operate with one another in patterning life on earth in accordance to the will of Allah:

- a. Economic development efforts are material and social, they should aim at the maximisation of benefits from all resources on earth, so that an equitable distribution of commodities and services between all is ensured according to their efforts, participation and needs.
- b. Economic development should depend on the principle of participation of wealth and manpower on a cooperative basis without prejudice to any group.

Islam stresses the fair distribution of wealth and income through the system of remuneration for work on one hand and the participation of wealth through the Islamic rules of inheritance laws on the other.

That profit-sharing (*mudārabah*) is encouraged against interest and usury. The profit-sharing system includes the return on capital and the share of labour in earned income. Islam regards interest and usury as exploiting and destroying, they increase the possibilities of inequalities by transferring wealth from the poor or the needy to the rich. In this context the following should be noted:

- a. That Islamic institutions do not exist at the moment to cope with wealth transfer according to Islamic thought. The move towards the establishment of Islamic banks will in due course help to implement these

principles, and should be encouraged.

b. That world financial institutions, international banks, trusts or investment corporations, use the interest function to allocate capital and savings to local and international needs without regard to its effect on the capacity of those who are in need to repay the large debts and interest to be paid. This policy has become a burden and an obstacle to development in the Third World. The problem poses a major challenge to world forums.

c. It is our belief that those Muslim countries with existing surpluses cannot sacrifice the return on deposits for the sake of such foreign institutions. Other Islamic countries which are in need of finance, borrow on interest because of their urgent need for development. The only clear remedy for this situation is the application of Islamic thought to societies and the establishment of Islamic financial institutions capable of playing a leading role in the world economy. Before this can be achieved fully, there should be a transition period during which the more well-endowed nations need to assist the rest through capital grants, loans without interest and profit-sharing schemes for development.

The real challenge in Islam rests upon the principle of sharing and sacrifice on an individual and collective basis.

To remove injustice and inequalities, there must be a fairer distribution of wealth, commodities and services. This cannot come about automatically and we need an adjustment process where priority is given to the have-nots, the poor, and the needy. Then essential needs must be met before indulging in luxuries. The Islamic world now has the right opportunity to participate hand in hand with developed nations to orient their policies towards this goal of eradicating poverty and the satisfaction of basic needs if we are earnest in searching for an equitable world order. We have learned through the series of lectures given in this conference that the world resources, in developed and in underdeveloped nations, whether in manpower, material resources, or even capital surpluses, could no doubt be directed towards the achievement of this sacred goal of equity in the world of today, but this calls for the exercise of power, not the power of armaments and armies but the power of sharing, participation and cooperation. Islamic countries together with all others facing the same problems must have their place in the decision-making process of international as well as regional organisations. But it is also essential for the Islamic nations to have their own national and regional organisations and institutions to plan, coordinate, implement and control their own activities for development.

If God has entrusted us with the will to think and act with a sense of brotherhood, it is then our duty to worship Him Who "preserves us from

hunger and secures us from fear".¹⁹ If we can save humanity, by the will of God, from hunger and fear in all its aspects, we could no doubt secure an equitable world order. Economic efforts by themselves cannot ensure salvation. The need for social justice is of paramount importance in Islam, and constitutes the third pillar on which Islam rests. This must go side by side with the first pillar which emphasises spiritual and moral conduct.

Islam and Social Welfare

We have outlined the strategy of Islam in economic development and its concentration on social justice. Growth and development efforts are not an end in themselves; they are mainly social and all of us should willingly cooperate in this direction. Man is the vicegerent of the Creator. He should attain through the will of God, and the bounties which He has offered and put at his service, a reasonable and fair standard of living commensurate with the honourable status of man on earth.

This may seem to be a Utopian ideal which cannot be achieved in real life. But Islam is also intensely practical and takes into consideration differences and inequalities in society. The Qur'an includes a number of declarations which we seem to miss either involuntarily or on purpose, but we must recapitulate on them to clarify the role of Islam in achieving equity in society.

Islam makes compulsory the collection and distribution of alms according to needs, and holds out rewards for those who implement God's will. Let us listen to the words of Qur'an.

إِنَّمَا الصَّدَقَتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَمِلِينَ عَلَيْهَا
وَالْمُؤَلَّفَةِ قُلُوبُهُمْ وَفِي الرِّقَابِ وَالْغَرَمِينَ وَفِي
سَبِيلِ اللَّهِ وَابْنِ السَّبِيلِ فَرِيضَةً مِّنَ اللَّهِ وَاللَّهُ عَلِيمٌ حَكِيمٌ

"The alms are only for the poor and the needy, and those who collect them, and those whose hearts are to be reconciled, and to free the captives and the debtors, and for the cause of Allah, and (for) the wayfarer a duty imposed by Allah. Allah is Knower, wise."²⁰

وَأَتَى الْمَالَ عَلَى حُبِّهِ ذَوِي الْقُرْبَىٰ وَالْيَتَامَىٰ وَالْمَسْكِينِ وَابْنِ السَّبِيلِ
وَالسَّائِلِينَ وَفِي

"(Righteousness is) giving wealth for the love of Him, to kinsfolk and to orphans

and the needy and the wayfarer and to those who ask, and to set slaves free."²¹

Such injunctions of Islam represent a practical concern for the improvement of the human condition.

Islam stresses peace and brotherhood between individuals and starts with the family and kinsfolk.

In a number of verses, God gives priority to the needs of the relatives and the parents, whether in the distribution of alms and *Zakat* or in the distribution of wealth according to inheritance laws. This is all meant to consolidate family ties.

Islam differentiates between the needy and the poor, i.e. those who have not and those who have but not enough to keep their fair standard of living. To meet their needs, the role of individual Muslims and the state through the treasury is emphasised. Individuals are obliged by compulsory measures (*Zakat*) and by voluntary acts (giving food during fasting in Ramadan) to develop a concern for and alleviate the hardships of the poor and needy, those who are in debt and those whose hearts are to be reconciled to Islam, and other deserving categories.

These humanitarian considerations are continually stressed in the Qur'an and *Sunnah* (the practice of the Prophet upon whom be peace).

To move towards the implementation of these rules, I believe that two actions are urgently needed:

1. A world-wide study on cost of living budgets (for the individual and the family) in various countries to be put side-by-side with the per capita income on which most of the studies concentrate at the moment. It is my belief that the per capita income should not be regarded as the chief yardstick for classifying standards of living for individuals or countries. What is needed is a budget to be set according to humanitarian standards and which guarantees a basic standard of living. This would not reflect the standard of subsistence but of sufficiency, a standard which could bring peace among people and lessen envy. Such a budget would meet basic needs of adequate food, clothing and shelter. It would cater for health and social security. It would provide for education and cultural pursuits, and other facilities deemed necessary for an honourable existence.

2. Although the role of the individual is clearly stated in the Qur'an, the Islamic state should take an active part in making the necessary adjustments to meet the needs of the poor, i.e. those who live below what the society has regarded as a fair and equitable standard. It is the role of the rich to share in this process either voluntarily or by law.

خُذْ مِنْ أَمْوَالِهِمْ صَدَقَةً تُطَهِّرُهُمْ وَتُزَكِّيهِمْ بِهَا

*"Take alms of their wealth, wherewith thou mayst purify them and mayst make them grow."*²²

The Islamic state could also use systems of social insurance, social security or reciprocal social security, where either the individual is sharing or the state is participating from funds raised for these purposes. The development of private social organisations and social public institutions within the Islamic world could help in promoting this world of justice and peace. It is the task of individual Muslims to work for an increased private role as well as the state role in establishing such institutions. No doubt social centres in many western countries have participated widely in such directions both in their own countries, and also in other countries, not the least in underdeveloped nations. Now the Islamic countries with their financial ability to participate should show their willingness to implement the rules of Islam in this direction.

If Muslims, in so far as they implement the will of God, establish worship and pay the poor-due, they will be rewarded by the mercy and blessings of God.

وَأَقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ وَاقْرِضُوا اللَّهَ قَرْضًا حَسَنًا وَمَا تُقَدِّمُوا إِلَى أَنْفُسِكُمْ مِنْ خَيْرٍ تَجِدُوهُ عِنْدَ اللَّهِ هُوَ خَيْرًا وَأَعْظَمَ أَجْرًا

*"... and establish worship and pay the poor-due, and (so) lend to Allah a goodly loan. Whatsoever good you send before you for your souls, you will find it with Allah, better and greater in the recompense."*²³

لِيَجْزِيَ اللَّهُ أَحْسَنَ مَا عَمِلُوا وَيَزِيدَهُمْ مِنْ فَضْلِهِ وَاللَّهُ يَرْزُقُ مَنْ يَشَاءُ بِغَيْرِ حِسَابٍ

*"That Allah may reward them with the best of what they did and increase reward for them of his bounty. Allah giveth blessings without stint to whom He wills."*²⁴

Islam – The Road to Salvation and Peace

It is clear through this conference that Islam is not only a belief which sets the relation between man and God, but is also a juridical system dealing

with the spiritual and moral as well as material and social aspects. Islam is a unique system which rests on the belief of unity and depends on a specific socio-economic policy. Muslims are called upon to implement and spread this system, instead of their negative attitude of adopting or adapting imported systems. Muslims have to stop interpreting Islam in the context of one or other of the "isms", and undermining the distinctive character of Islam in the process. Islam is sacred and original in setting the right path to save mankind from prevailing evils and problems on the basis of its spiritual, material and human aspects. Without belief and righteous conduct, in an orderly and just society where those responsible set examples, there will be no peace on earth.

To achieve these objectives, we call on Muslims and Islamic states to take the necessary steps to implement the will of God in establishing a Muslim society – a society where the administration of the way of life depends on Muslim principles of belief, good behaviour, progress, prosperity, cooperation and peace. The main objective of such a society is not material growth as an end in itself but the development of a welfare society where mankind is honoured and has a preferential status inasmuch as he is the highest creation of God.

To move towards this society of order and equity, we must take such steps which could bring about the brotherhood of mankind in the world:

1. To develop and effectively disseminate more information and knowledge concerning Islam not only as a belief but also as a way of life. Knowledge is the first step toward understanding.

2. To use the language of the times in putting over the content of Islamic thought. Devoted and specialist Muslims should join together in advancing knowledge about Islam in various sectors, whether economic, social, administrative, or political . . . We have to make the message of Islam clear to the world.

هَذَا بَيَانٌ لِلنَّاسِ وَهُدًى وَمَوْعِظَةٌ لِّلْمُتَّقِينَ

"This is a declaration for mankind, a guidance and an admonition unto those who are careful of their duty (to God)."²⁵

3. To train manpower needed for Islamic organisations of all kinds to set standards of efficiency and productivity not only from the material aspect but also morally. Setting examples in an Islamic society is a necessity in a world of disorder and disbelief.

4. To ensure the implementation of science and technology in development and whenever possible to work in cooperation with specialised

organs or institutions. The transfer of technology is not enough for the Muslim world; co-partnership is urgently needed.

5. To develop, promote and urge the establishment of Islamic councils, institutions and organisations, whether social, economic or political, to study, research and exchange experiences on the basis of Islamic principles and strategies. The Islamic system is flexible and practical on matters of implementation except as regards set rules in the Qur'an and *Sunnah*.

6. To expand effort by all Islamic states to develop Islamic organisations working in the fields of investment, trade, finance, social security, social insurance, the development of the already-started experiment of interest-free banks. The Islamic institution of *Bayt Al-Mal* should be established and developed to effect social adjustment.

7. To promote Islamic conferences and symposiums not only within the Islamic and Arab world, but also in other main centres of the world, with the idea of education and exchange of ideas and experiences. The publication of results in various languages should help to bridge the gap of knowledge and information between people.

8. To establish institutions, organisations or councils for the purpose of research, exchange of ideas and information particularly about recent developments and application. No doubt the Secretariat of the Islamic Conference will take necessary actions to develop such links and relationships for the benefit of the Muslim world in particular and the world at large.

To conclude one can say that the people of the world at large are looking for peace based on love, respect and brotherhood. Equality based on justice and order and reinforced by proper leadership could help to shape a better future for the world. But one should never forget that this world we live in is the world of the Creator, the Almighty, the Merciful.

On no soul does God place a burden greater than it can bear. It gets every good that it merits and it suffers every ill that it earns. *Our Lord! Condemn us not if we forget or fall into error. Our Lord! Lay not on us a burden like that you placed on those before us. Our Lord! Lay not on us a burden greater than we have strength to bear. Pardon us, absolve us and have mercy on us. You are our Protector so give us victory over the disbelieving folk.*²⁶

رَبَّنَا لَا تُزِغْ قُلُوبَنَا بَعْدَ إِذْ هَدَيْتَنَا وَهَبْ لَنَا مِنْ لَدُنْكَ رَحْمَةً إِنَّكَ أَنْتَ الْوَهَّابُ

"Our Lord! Cause not our hearts to stray after You have guided us, and bestow upon us mercy from Your Presence. You, only You, are the Bestower."²⁷

12 Islam and the New World Order

Khurshid Ahmad

A careful perusal of the current debate on the New International Economic Order leaves one with two rather conflicting feelings: hope and disappointment. The fact that some of the major incongruities and injustices that characterise relationships between individuals, institutions and nations in our times are no longer being accepted passively as a *fait accompli*, and the need for changing the state of affairs is being voiced from all quarters and not merely by the aggrieved parties, gives some cause for hope. Smug complacency over the status quo that has held the ground for so long has now begun to dissipate. This in itself is a significant development, as it opens up new opportunities for review and reappraisal, for fresh thinking and for an examination of alternatives available to mankind, in its search for creative possibilities to rebuild and restructure society and its institutions. This gives rise to a new hope, even though it be a tiny flicker. The worry, however, is that this little new-born flicker of light and hope is trembling in the face of confounding winds. The level at which the entire debate is taking place is, to put it frankly and bluntly, quite disappointing.

It would be fair to suggest that the discussion on the New International Economic Order in almost all international forums, academic as well as political, is being undertaken at three levels – descriptive, analytical and prescriptive.

Themes and Issues in the Debate on NIEO

At the level of description, the plight of the Third World is being brought into focus. There is an increasing acknowledgement of the revolting facts of poverty, misery and deprivation, of disease and illiteracy, of death and starvation, of underdevelopment and retardation of growth, of widening gaps in economic wellbeing and the mounting weight of international debts, of worsening terms of trade and depletion

or mismanagement of natural resources, of apathy and misdevelopment. The failure of the developmental effort made over the last three decades in the underdeveloped world, which contains two thirds of the human race, and the deterioration of relations between the developed and the underdeveloped countries are being highlighted. The leaders of the Third World are becoming more and more vocal and assertive. The spokesmen of the industrialised world are increasingly acknowledging some of these realities, even though still haltingly and with reservations.

There is a greater consciousness of the need for a transfer of resources from the Third World to the developed world because of a number of built-in mechanisms in international trade which favour the industrialised world and limit the options open to the Third World. The prices of raw materials have been a very unstable factor, with the result that the relative value of the exports of the Third World has been going down, while that of their imports from the industrialised world has been increasing. Many an effort to stabilise the prices of raw materials has been frustrated because they were regarded as against the interests of the industrialised world. The first significant effort on the part of the Third World to gain control over the prices of their products has been in the case of oil. This attempt to get an economic price of an essential source of energy has been treated by the West as a declaration of war against the industrialised world, to the utter neglect of the fact that the West had deliberately kept the price of oil much lower than its real economic price and had built its own economic prosperity by keeping this source of energy cheap.

The technological dependence of the Third World on the industrialised world, and the unsuitability of the technology of the West to the conditions of the Third World, is another major theme in the debate. In spite of some transfer of technology, it is claimed that the new technology is unable to act as an internalised agent of growth. Instead, it is producing new technological destabilisation, without really meeting the technological needs of these societies. Moreover, this increases the technological dependence of the Third World on the West and, as the prices of capital goods escalate, this technological dependence is also producing financial dependence.

The hope that foreign aid would act as the chief stimulant to development in the Third World countries has been dashed. The Third World countries are now asking for a new deal. In this new deal, they are demanding, among others, the following changes:

- a. A restructuring of the international institutions, particularly of the International Monetary Fund, the World Bank and the operative organs of the UN, particularly the Security Council. The first major demand of

these developing countries is the restructuring of the international institutions so as to have a greater say in economic and political decision-making at the international level.

b. An acknowledgement of national sovereignty on their raw materials. This would mean that a country, where a certain raw material or source of energy is found, should have the right to own it, to price it and to benefit from it. At present the position is that most of these raw materials are either in the hands of multi-national corporations, who are not fully under the control of the national governments, or their extraction, development and trade are so much under the influence of the developed countries that these countries are in a position to manipulate their price or supply. This puts these resources at the mercy of these outside forces.

c. A better division of labour. The present international division of labour leads to a perpetuation of a secondary role for the producers of raw materials, the industrialised world specialising in the production of manufactured foods and tertiary services. This also leads to the type of economic development the Third World is expected to have, and its consequences for relative shares of economic power for different parts of the world.

d. The freedom of movement for goods, particularly for the manufactured products, even for agricultural and dairy produce of the Third World into West Europe and America is another worry of the underdeveloped world. They insist on access to these markets to step up their economic development and seek the evolution of some permanent mechanism to seek stability of prices.

e. Better arrangements for the financing of development. Due to the deterioration of the terms of trade, most of the underdeveloped countries are facing balance of payments crises. Foreign aid has failed to provide any real relief. First of all, "foreign aid" is a misnomer because it is not a grant or subsidy. Almost 90% of it constitutes tied loans, extended on commercial terms, subject to a number of restrictions. The result is that the net benefit is sometimes more in favour of the giver than the recipient. The volume of aid is also much below the needs of the developing world. Total foreign aid from the developed world is much below the targets set for the 1960's and 1970's, with the result that the voluntary transfer of resources from the rich to the poor is not taking place. The burden of external debts has risen too high, and quite a significant part of the export earnings of most of the Third World countries is eaten up in service charges and debt repatriation. The Third World is, therefore, suggesting some form of compulsory transfer of resources from the rich to the poor through international institutions, as against bilateral aid. The Third World is now generally feeling that a stage has come when, instead of negotiating about each one of their specific problems, they

must try to enter into a new deal with the West so as to restructure the economic relations between them. As such, a number of packages and strategies have been developed to bring about a new economic order.

At the level of analysis and consequent remedy, there is a wide degree of divergence of opinion. Even when some of the facts about international economic disorder are not disputed, there is great controversy about the factors responsible for them.

Western economists and statesmen emphasise greater interdependence between different parts of the world and the relative obsolescence of the idea of national sovereignty and autarchy. They throw light on the benefits that the Third World has derived from its contacts with the West, and the continuing help and assistance the West is extending to them. They suggest that the internal organisation of society and economy in the Third World countries, leaves much to be desired, with the result that it obstructs the fruition of efforts towards economic development. According to this thesis the prosperity of the two is interdependent: the Third World can prosper only if the industrialised world prospers. Anything that damages the West and its economic prospects is bound to adversely affect the prospects of the Third World.¹

The Third World theorists too have now developed a framework for the analysis of their relationship with the West. As against the West's concept of a benevolent world economy, in which the growth and prosperity of the West results in spreading wealth to the underdeveloped world, the general thesis of these writers is that the industrialised West constitutes the powerful central core of the world economy, while the entire Third World is its weak periphery, which is dependent upon this centre which is sucking in resources from the periphery. The result is a hierarchical and exploitative world order, with built-in arrangements for the transfer of resources from the underdeveloped world to the developed world. Development and underdevelopment are not two autonomous realities, but two aspects of the same process. This state of affairs has its roots in the imperialist mode of production, established during the colonial period and continues unabated, although some of the forms and instruments of control have changed. The multinational corporation now figures very prominently as the midwife of this neo-imperialism.

These theorists argue that the Third World cannot reasonably hope to achieve self-sustaining development without breaking itself away from this system of dependence and bondage.² Marxian analysts try to develop this thesis in the context of their appreciation of the nature and dynamics of international capitalism, in the context of imperialism and neo-imperialism, while others lay greater emphasis on the elements and structures of dependence without committing themselves too much to the

nature of the system. The remedy each group offers for the solution of the contemporary international economic crisis emanates largely from their analysis of its causes. The Western economists believe that solutions to the problems are possible, within the overall framework of the present order, by improving efficient allocation and use of resources, and by some transfer payments within the system. The other group insists that structural changes are an essential precondition for any real change in the situation.

The Real Challenge of our Times

This rather lengthy digression has been made to recapitulate the mood and the themes of the debate on the new international economic order. The facts of the situation are not very much in dispute. The "interdependence" thesis and the "dependentia" theorem both contain elements of truth, but none of them goes far enough to explain the whole truth. They remain partial in their explanation of the present crisis. Each explanation is very much rooted in the overall sympathy-framework, to which the analyst happens to belong, psychologically, culturally and economically. Our submission, on the other hand, is that the crisis is not confined to economic relations and institutions. It is a rather all-pervading crisis, and as such the real causes will have to be traced in the context of the crisis of civilisation and not merely of the economic order. It is too partisan, and consequently too unrealistic to assume that the disease is specific to the context of capitalism. The basic problems that confront man today are very similar be it under capitalism or socialism. In fact, both of these systems are products of the same culture system, the Western civilisation. Capitalism and socialism both are equally exploitative and unjust. The establishment of a just and humane order for the moral well being of man is not their primary concern. They deal with different blueprints of mechanistic structures of society. Their real failure has not been their inability to answer correctly the basic questions but in not asking the right questions. They do not treat the universe as a moral order. They regard man as self-sufficient, and regard material and economic progress as his real objective. They cannot offer as ultimate goals anything higher than material privileges: economic wealth, political power, military strength, international influence. Conflict of interests is built into this concept of life. It is bound to result in a crisis of values. A perceptive analyst of contemporary history describes the crisis of our times in the following words:

"The contemporary human crisis is so profound and pervasive that the very attempt to analyse it – let alone resolve it – seems to defy the power of human reason and imagination. The battle for survival is currently

being waged by millions of men whose precarious existence is one of poverty, squalor and even hunger. Man's predicament impinges on the future of entire nations that are threatened by external attack or internal disintegration. It dominates the vast network of international relations so delicately poised on the dangerous and ultimately instable 'balance of terror'."³

"Traditional conceptions of time, space and movement have been overthrown by the technological revolution and the shift to an exploitative, power-centred culture. The ensuing social and psychological discontinuity and moral vacuum have produced a severe crisis of conscience and a large-scale flight from reality."⁴

"The crisis which confronts twentieth century man is truly global, not simply by virtue of countless men and women, but in the more far-reaching sense that it permeates and vitiates the whole fabric of human relations and human institutions, and is not distorting man's entire relationship with the natural order⁵ . . . No human community, no individual, no corner of the globe, however remote or isolated, however powerful or well endowed, can now escape from the disorder which affects the entire planet. . . . Perhaps we can best describe the global crisis in terms of a fundamental disequilibrium which severely limits and may ultimately destroy man's capacity for biological and cultural adaptation to his environment."⁶

"Among the most common forms of pathological behaviour in modern industrial society, one would include the pre-occupation with having and acquiring, rather than with being or becoming; the obsession with the power to dominate rather than liberate; the profound sense of alienation from rather than participation in the wider social reality; the attitude towards work and leisure as means of killing time rather than creatively living in time, the predisposition to an in-group rather than an out-group psychology which discriminates on the basis of sex, race, creed or nationality; the tendency to resolve conflicts by the use of threat or force. . . . What distinguishes the super-industrial system – and the global spread of its empire – is the high degree with which social pathology has been institutionalised through the pyramidal stratification of wealth, power and knowledge, but above all through the growing monopoly of industrial production over the satisfaction of human wants. . . . The institutional integration of pathological behaviour has now reached such proportions that it is not merely the quality but the very survival of human life which is at risk. . . . If this is an accurate diagnosis of the serious and deteriorating condition of our civilisation, then no piecemeal, provisional, or parochial remedy is likely to prove efficacious. It would appear that in order to sustain the organic evolution of the human species it will be necessary to develop perspectives and responses that are

both radical and global in inspiration.”⁷

A New World Order and not just NIEO

This being the real challenge that mankind faces today, it must be stated by all men of faith, with all the force at their command, that the real issue is not simply that of a new international economic order but of a new world order, based on a new concept of man and a different vision of society and of man's destiny on earth. Any effort at reform under the inspiration of world faiths in general and of Islam in particular must start with correcting the perspective for the understanding of the human predicament. The real issue is not to seek some concessions at this end, and bringing about some changes in the super-structures at that end. The real need is to re-examine the foundations on which the entire structure of the society and economy is built and the ideals which the culture aspires to achieve. The crisis in economic and political relations is the natural outcome of those ideals and the structures built to realise them. Islam, therefore, suggests that it is only through inviting mankind towards a new vision of man and society that its house can be set in order. This calls for a basic change in our approach. This change could be summed up as follows:

i. The real problem is more basic and covers a vaster area than that of mere economic crisis. As such the economic crisis deserves to be examined in the wider context of the overall human crisis – of the crisis of civilisation. Our objective should be to strive for the establishment of a just and humane world order and not merely to create a new economic arrangement. This cannot be done in isolation from the totality of the human situation.

ii. Economic analysis provides valuable insights but it is idle to assume that even economic problems can be solved merely by resort to the tools of economic analysis and policy. Man's efforts to solve economic problems by isolating the economic from the total matrix of the moral are collapsing in futility. Economic science is moving deeper and deeper into the throes of a crisis. For if crisis in a science is symbolised by its continued inability to meet the challenges that confront it, then few would disagree that economics is in a pretty bad shape. The phoenix-like rise of macro-economics from the charred debris of the crash of the 1930's had generated a new confidence and a new valour among the economists. Solutions to almost every problem seemed within sight. All looked green in the valley of economics.

This confidence has proved false and short-lived. Not only have the old problems remained unsolved, new ones have emerged with threatening overtones. Mass poverty; frustrated take-offs in development,

increasing disparities at regional, national and international levels; co-existence of hunger and affluence; irrational use of non-renewable resources; incongruity between technology and developmental needs; unsuitability of production and consumption processes to environmental needs; exploitation of the poor by the rich and powerful; inflation and stagflation; structural deformities in relations between developed and developing countries; all of these and many more problems are not tackled within the framework developed by post-Keynesian economics. This is being realised even by those economists who had earlier thought that their sophisticated economic models could now deliver the goods.

Noble Laureate, Paul Samuelson of the MIT laments on the disarray into which the economic theory has fallen. He warns: “there are no signs that we're converging towards a philosopher's stone that will cause all the pieces to fall neatly into place.” Professor Otto Eckstein of Harvard says, “We are always one inflation too late in specifying the exact form of the price-forecasting equation.” Robert Heilbroner goes a step further when he says, “Economists are beginning to realise that they have built a rather elaborate edifice on rather insubstantial narrow foundations.”

The predicament of economics has been searchingly examined in a new book *Economics in the Future: Towards a New Paradigm* and the near consensus⁸ that emerges is that what is needed to salvage “the duck of economics”, to use Veblen's analogy, from the “tangled weed” in which it is stuck at the bottom of a rubbish-ridden pool, is not just some new interpretation of this or that economic theory or some changes within the current paradigm of economics, but the need to change the paradigm itself, and move towards a new paradigm under which economic problems could be approached not as economic problems in isolation but in the context of an entire social system and as part of the overall moral problem.⁹

As such, what is needed is a widening of our approach from merely an isolated economic one to a moral approach within which the technical aspects of the economic approach are fully assimilated.

Our approach should be value-oriented. In economics, as in any branch of human activity, there is an area which deals with technological relationships. But such technological relationships *per se* are not the be-all and end-all of a social discipline. Technological relationships are important and they should be decided according to their own rules. But technological decisions are made in the context of value-relations. Our job is to weld these two areas and to make our values explicit and to assign to them the role of an effective guide. It is only through a thorough understanding of the social ideals and values of religion and a realistic assessment of man's socio-economic situation – resources, problems and constraints – that faith-oriented communities can develop a creative

and innovative approach to change. This approach would be ideological as well as empirical and somewhat pragmatic – pragmatic not in the sense that ideals and values can be trimmed to suit the exigencies of the situation, but pragmatic in the sense that ideals and values are to be translated into reality in a practical and realistic way.

iii. As the real objective which inspires faith-oriented communities is not a package of economic and political concessions or even some changes in the superstructure, but the construction of a new world order – with the frame-work of its own ideals, values and foundations, our approach to social change has to be unique. The Western approach has always assumed that radical change can be brought about by changing the environment. That is why emphasis has always been placed on change in structures. This approach has failed to produce proper results. It has ignored the need to bring about change within man and has concentrated on change in the outside world. What is needed, however, is a total change – within man as well as in his social environment. The problem is not merely structural, although structural arrangements too would have to be remodelled. But the starting point must be the heart and soul of man – his perception of reality and of his own place and mission in life. The Islamic approach to social change takes full cognisance of this. It consists of the following:

a. Social change is not a result of totally predetermined historical forces. The existence of a number of obstacles and constraints is a fact of life and history, but there is no historical determinism. Change has to be planned and engineered. And this change should be purposive – that is, a movement towards the ideal.

b. Man is the active agent of change. All other forces have been subordinated to him in his capacity as God's vicegerent and deputy (*khalifah*) on the earth. Within the framework of the Divine arrangement for this universe and its laws, it is man himself who is responsible for making or marring his destiny.

c. Change consists in environmental change, and change within the heart and soul of man – his attitudes, his motivation, his commitment, his resolve to mobilise all that is within him and around him for the fulfilment of his objectives.

d. Life is a network of inter-relationships. Change means some disruption in some relationships somewhere. As such there is a danger of change becoming an instrument of disequilibrium within man and in society. Islamically oriented social change would involve the least friction and disequilibria, and planned and coordinated movement from one state of equilibrium to a higher one, or from a state of disequilibrium towards equilibrium. As such change has to be balanced and gradual and

evolutionary. Innovation is to be coupled with integration. It is this unique Islamic approach which leads to revolutionary changes through an evolutionary trajectory.

These three basic changes will revolutionalise our approach to the problems of the new world order. Now we would like to explain briefly what Islam is and how it proposes to establish a new order.

Islamic Approach to Life

Islam is a world view and an outlook on life. It is based on the recognition of the unity of the Creator and of man's submission to His will. Everything originates from the One God, and everyone is ultimately responsible to Him. Thus the unity of the Creator has as its corollary the oneness of His creation. Distinctions of race, colour, caste, wealth and power disappear; man's relation with fellow man assumes total equality by virtue of the common Creator. Henceforth, man's mission becomes a dedication to his Creator – worship and obedience of the Creator becomes his purpose in life.

Man plays a crucial role in the making of this world. He acts as God's vicegerent (*khalifah*) – His deputy and representative on the earth. He is morally prepared to play this role. His success lies in playing it properly; to enjoin what is right and forbid what is wrong, to free man from the bondage of fellow men, to demonstrate that a sound and serene society can only result if one harmonises one's will with the will of God, makes seeking the Creator's pleasure as one's purpose in life, treats the whole of Creation as one's partner, raises the concept of human welfare from the level of mere animal needs to seeking what is best in this world and what is best in the Hereafter.

This is the Islamic world-view, and its concept of man and his destiny. Islam is not a religion in the Western understanding of the word. It is a faith and a way of life, a religion and a social order, a doctrine and a code of conduct, a set of values and principles and a social movement to realise them in history.

There is no priesthood in Islam, not even an organised "church". All men and women who are committed to this ideal are expected to live in accordance with its principles and to strive to establish them in society and history. Those who commit themselves to Truth try to see that Truth prevails. They strive to make a new world in the image of the Truth.

A new model of human personality, and a new vision of human culture, are presented by Islam. Science and technology are developed but they are not directed towards destroying nature and man's abode therein; they add to man's efficiency as much as to life's sublimity. Islam aims

at a new harmony between man and nature and between man and society. The uniqueness of Islamic culture lies in its values and principles. When Muslims, after an illustrious historical career, became oblivious of this fact and became obsessed with the manifestations of their culture, as against its sources, they could not even fully protect the house they had built. The strength of Islam lies in its ideals, values and principles. And their relevance to man is as great today as it has been in history. The message is timeless and the principles it embodies are of universal application.

Islam's Role in the Establishment of a New Order

In our search for a new world order today, Islam emphasises that we must aspire for a new system of life which could approach human problems from a different perspective, not merely the perspective of limited national or regional interest, but the perspective of what is right and what is wrong, and how best man can strive to evolve a just and a humane world order at different levels of his existence, individual, national and international. That the present order is characterised by injustice and exploitation, is proved beyond any shadow of doubt. But Islam suggests that the present order fails because it is based upon a wrong concept of man and of his relationship with other human beings, with society, with nature, with the world. The search for a new order brings us to the need for a new concept of man and his role. From the viewpoint of world religions in general, and of Islam in particular, the focus of the discussion deserves to be shifted to a new vision of man and society, to an effort to bring about change at the level of human consciousness, of values, leading to new cultural transformation.

Islam is a movement for social change. It not only gives a clear concept of society and the *modus operandi* of bringing about the coveted change in history but it also gives clear guidelines for socio-economic policy, for some of the key institutions that guarantee the implementation of that policy, and generally an organised social effort under a disciplined leadership to see that these objectives are achieved in space and time. Muslims have this movement-oriented approach to religion. This model operates at three levels, that of the individual, the society and the world. Unless the individual has a new faith, a new consciousness and a new perception of his own role, required changes cannot be brought about. Second is the level of the society, initially it may be at the national level but then at the level of the whole world. The Islamic strategy is that it starts with creating a new consciousness in the individual, who imbibes its values and strives to work for the establishment of a just life not on the basis of expediency or to seek personal or group interests, but to do what is right

and just. The Qur'an shows us how an individual problem has to be approached at the universal level when it says that if one person is unjustly killed, this is tantamount to killing the entire human race and whoever saves one single life saves the whole of mankind.¹⁰ This is how an individual incident is transformed into a world problem, an event moves into the realm of values.

Secondly, Islam is not a defence of the *status quo*. Instead, it is a critique for human life, including the lives of the Muslims and the organisation of the Muslim society. The present day Muslim society falls much short of the Islamic standards. As such we believe that the Muslim society has to be changed, in order to establish those social, economic and political institutions which would establish justice in human relations. Islam wants to bring political power under the control of its moral ideals. Such a society and state are established as a result of a social movement directed towards Islamic revival. Then the Muslim world would be in a position to play its ideological role in the world, on the one hand using its own resources to build a model society where it has political power, and then sharing it with others in the interests of justice on the same principle on which the Prophet helped the famine stricken people of Mecca who were politically at war against him. The Islamic State was not at war with human beings as such, but only with the institutions which represented belligerent political power. This may help lead mankind towards the model of a new world order where justice can be done to all, friends and foes, and where wealth would be shared with the needy not because it is expedient but because this is just. *Zakat* is a right of the poor. According to the Qur'an, those who do not help the needy or who scorn the orphan are committing the crime of denying *din*, the Islamic way itself. This idea of the sharing of wealth as a right is a revolutionary idea. It is with these insights that Islam enters this debate and gives to it a new direction and a new perspective and also clear guidelines for action. In the light of these guidelines a strategy for change can be formulated. A new just order is not merely the need of the Muslims, it is a need of man, everywhere, in the West as well as the East.

Islam is a faith and a way of life. It provides a definite outlook on life and a programme for action, a comprehensive milieu for social reconstruction. It reshapes the entire personality of man and produces a new culture and civilisation. It is deeply concerned with his moral and material existence, his psychological attitudes as well as his socio-economic behaviour patterns. All aspects of his individual and collective life are developed in a harmonious fashion, within the framework of overall human development known as *tazkiyyah*¹¹ (purification).

Islam influences man at different levels of his existence: belief, motivation, personal character, individual behaviour, social institutions,

collective action. That is why it is more correct to say that Islam is a faith, a way of life, a process of change, and a social movement for the reconstruction of society and the establishment of a just world order, not just a religion.

The basic values on which this world order is established are as follows:

1. *Tawhid* – God's Unity and His Sovereignty. This is the foundation on which Islam's world view and its scheme of life is based. It lays the rules of God-man and man-man relationship. *Tawhid* is not merely a metaphysical doctrine, man's approach to social reality is an inextricable part of this belief. Establishment of justice in human relations is a demand of this faith. Belief in God's Unity and His Sovereignty means that all human beings are equal, and that their rights (*Huqūq al 'Ibād*) are a natural extension of God's rights (*Huqūq Allah*). The Qur'an says:-

*"Have you observed him who denies the din
(the faith and religion, the divine law)?
He is the one who spurns the orphan,
Does not urge the feeding of the needy.
Bitter grief to worshippers
Who are neglectful of their prayers;
Who would be seen in prostration
Yet refuse kindnesses and charity."*¹²

2. *Khilafah* – man's vicegerency. Islam defines man's status in the world as that of God's vicegerent – His deputy and representative. Everything that exists is at his disposal for the fulfilment of this role and is like a trust in his hands. This means that he is not the Master, he is God's agent and his primary concern should be the fulfilment of the Will of the Lord. Man is in the position of a trustee in respect of all that is in the universe, his own personal faculties and all his possessions and belongings. All authority is to be exercised within the framework of this trust and man is accountable for whatever he does. This principle stipulates man's active participation in life and invites him to treat the entire creation, not as his foe, but as his partner and friend, made to fulfil the same objectives. The Islamic concept of man's equality and brotherhood and the creation of the ideological fraternity of the *Ummah* (the community of faith) are essential elements of this principle of *khilafah*, man's trusteeship and stewardship.

3. Establishment of justice among human beings is one of the basic objectives for which God raised His prophets and sent down His guidance.¹³ All human beings have rights upon all that God has provided and

as such God's bounties are to be shared equitably.¹⁴ The poor and the needy have a right upon the wealth of the rich and of the society.¹⁵ They must be helped and enabled to participate in the struggle for living with skill and honour.

4. Political and economic power are not evil. It is a part of the religious mission of man to harness them for the fulfilment of moral objectives. Instead of remaining instruments of oppression and exploitation, they must be made to serve the ends of justice and to promote good and virtue and to forbid evil and vice.¹⁶

5. There are no intermediaries between God and man. God's guidance is available in the form of His Book, the Qur'an and the life-example of His Prophet, the *Sunnah*. They clearly state the ideals, values and principles that man needs to build his individual and collective life on truth and justice, and there exists in this guidance a built-in mechanism to meet the demands of changing times. Evolution is possible within the framework. Only the Divine law is eternal, all man-made expedients are temporary and time-bound. The pursuit of the Divine law is the greatest guarantee against human arbitrariness and relapse into injustice.

These are the basic principles on which Islam wants to rebuild the world order. The contribution that Islam wants to make is, first of all, at the level of man's approach to this problem. Islam adopts an all-embracing approach, based on a spiritual appreciation of reality. It approaches man in the context of his total existence, in relation to his Creator and His entire creation. It admits of no dichotomy between matter and spirit, or between physical and moral. It welds the religious with the secular and treats life as one integrated and harmonious whole. It stands for total change as against all contemporary ideologies, and some religious systems, which are content with partial change. It purifies the individual and reconstructs society, making both the individual and society achieve a still higher ideal: fulfilment of the Divine Will. Its approach is based on values and not on the demands of expediency, personal or national. Its outlook is positive and constructive, not negative or destructive. It seeks man's total welfare – moral, social and economic. It stands for the realisation of justice in all aspects of human living. It upholds the principle of universal good and justice and invites all mankind to work for its establishment. It affirms the integrity of the individual and sanctity of his human rights, as rights guaranteed by the Creator and tries to establish a social order wherein peace, dignity and justice prevail.

Islam's strategy for the establishment of such an order consists in inviting all human beings to this path, irrespective of their colour, race, language, nationality or ethnic or historical origin. It does not speak the language of the interests of the east or the west, of the north or the south,

of the developed or underdeveloped. It wants the new order to be established for all human beings in all parts of the world. Through this universal approach Islam wants to bring about a new consciousness of the ideals and principles on which the house of humanity should be rebuilt and invites them to spell out its implications for the reconstruction of human thought and policy. Islam also launches a social movement, an international movement manned by all those who accept these ideals and values to establish the new order. Islam is eager to establish the new model in any part of the world. The Muslim world, if it reconstructs its social order on these principles, could be the living example of this order, but the present reality of the Muslims is far removed from the ideal. Once this model is established in some part of the world this experiment can be shared with the rest as sunshine is shared by all. The prospects for the present effort very much depend upon the Islamic movement that is trying to spearhead this social effort for the establishment of a new world order.

PART THREE

The Muslim World: Perspectives on its Economic Resources and Future Role

13 Economic and Financial Resources in the Muslim World and their Effective Utilisation

Abdel Moneim El Banna

The "Muslim World" covers most countries in Africa, the Middle and Near East and South and South East Asia, as well as many other Islamic communities in both the developed and the developing world. Economic surveys on natural, financial and human resources have been prepared by national, regional and international bodies, for most of these countries. Economic problems, mainly relating to trade and development, have been a matter of considerable discussion. Many reports have been prepared; countless resolutions have been passed; projections and growth targets have been set and many gatherings and forums have been convened. Yet despite all this effort, the developing world, comprising mostly Islamic nations and communities is still suffering from most of the problems which have hampered their development and which they have tried to solve for about two decades.

It is beyond the scope of this paper to review what studies have been made or what statistics have been compiled or what action has been taken. We have dwelt with these problems for many years and reference can be made to various available publications in this respect, especially those issued by the United Nations, its specialised agencies and regional economic commissions as well as the various studies conducted by regional banks, and national funds. As suggested, it is imperative, as will be suggested later, to conduct a systematic surveying of the resources by specialised teams.

In the light of past experience and attained results, some suggestions may be made as regards the effective utilisation of the resources of the Muslim world. Before doing so, I should like to stress *three Muslim principles* which have to be adopted and recognised:

The first is the principle of *self-help*. It is quite evident that the Muslim world is far from fully utilising its vast and diversified resources to the benefit of its own peoples and on a basis of *self-reliance*.

The second is the principle of *joint responsibility*, as regards narrowing the gap between communities and countries high on the resources and income scale of the Islamic world and those which are lower on this

scale. It is the *duty* of the Islamic community as a whole to extend a hand of help to the less developed or economically depressed countries.

The third principle is the *obligation* to provide the Muslim countries with *economic security*, the main features of which are: self-sustained growth; a decent standard of life for the Muslim peoples; and an ability to safeguard the Muslim world against any unfavourable trends which may take place in the international economy.

In the light of these three principles, the following suggestions may be made:

Regional Development Planning

Planning on a regional and sub-regional basis is a very important item in economic policy. Economic Unions and Common Markets have been established in different regions. It is noticed, however, that while most of the Common Markets in the developing world – including the Islamic world – are still in their infancy, and are facing difficulties in carrying out their programmes of work and in attaining their targets, the Common Markets in the industrial world in the West – mainly the European Economic Community – and in the East – the Comecon – have managed to overcome most of the difficulties which have faced them; namely, increasing the degree of cooperation and coordination of policy in various economic fields and widening their base of membership and activities. Closer cooperation in the fields of trade, investment and financing has also been well marked in the last few years between the East and the West, a tendency which will further strengthen the economic position of the developed world vis-à-vis the developing countries.

If these trends are taking place among the industrialised countries, there is much more reason for the developing countries to have larger economic units, so that they too may be able to consolidate their economies, to have wider markets for their products, to enhance production, to attain higher rates of growth, and to offset the possible harmful effects of the powerful trend of economic integration in the developed world.

It may be stressed, in this respect, that the growth potential will be extremely limited and the tempo of development very slow, especially for particular countries, unless serious steps of economic integration take place. Many countries in the Muslim world are either too small to provide for necessary development prerequisites on a national scale, or their markets may be too narrow to permit them to establish development projects on an economic basis, or they are facing population problems which further complicate their development endeavours.

With the exception of some local industries which are small or medium scale by nature, most industries require a scale large enough to

support much wider a market than the local market. So, without access to neighbouring markets, it may be impossible for many countries to carry out a programme of industrialisation big enough for an appreciable rate of growth.

Of particular importance is the regional aspect of some types of infrastructure projects in both the economic and social fields. Transport, communication, irrigation, scientific and technological research and training are but some examples in this respect.

Coordination of plans should be carried out as soon as possible. To delay this initial important step may result in designing and implementing plans on the national plane without due regard to the overall cooperation among the Muslim countries. So in order to avoid duplication of effort, waste of resources, building up projects on non-economic scales, economic disintegration and rigidity of future economic policy, the development plans should be coordinated, with a view to identifying joint projects, localising industries in different countries or areas, and harmonising national policies.

It may be impractical to form one economic grouping from the very start, embodying thirty countries or more in the Muslim world. A more practical approach is to form sub-groupings and sub-regional common markets. A limited free trade area, however, can start right away between many countries with an agreed-upon list of tariff reductions or exemptions as well as a programme for the removal of administrative and financial trade barriers. Year after year this list can be enlarged till the full free trade area is realised.

Sub-regional groupings, in the meantime, can proceed towards more powerful stages of integration – especially in the field of investment. It is envisaged that these sub-groupings can be linked together, according to a well-designed plan, with tariff arrangements, coordinated investment policies, joint and infrastructure projects with the intention of having a common market comprising different sub-groupings sometime in the future.

Promoting Intra-Trade in the Muslim World

Besides the expected promotion of trade between Muslim countries and regions, resulting from a system of integration and cooperation as suggested above, further measures may be taken in this respect:

a. *Preferential trade treatment.* A member should follow an import policy and export policy which gives special preference to exports and imports of other members. In importing a certain item, a member should give preference first to other members exporting this item, and up to the production and export capacity of the other members, before resorting

to third countries. Similarly, in exporting a certain product, a member should give preference first to other members importing this item, and up to the import capacity of other members, before exporting to third countries.

It may be noted, in this respect, that *lack of information* about export capacities of various items, as well as about import requirements has resulted in a volume of intra-regional trade which is much less than it should be. It may be suggested in this respect that an *Islamic Chamber of Commerce* should be formed representing different national and regional chambers in the Islamic world, which will gather ample information on such matters as trade possibilities, prices, import requirements, and export capacities.

During its periodical meetings, interested parties can conduct transactions in the light of this information. This arrangement, it is envisaged, may enhance trade within the Muslim world to a great extent, for it is noticed that many Islamic countries are importing from outside the region items which other countries in the region can export. Similarly, they are exporting to the outside world items which other members can import from them.

b. *Planning production to meet the requirements of the region* is all important not only as regards higher rates of development, but also as regards enhancing trade relations within the Muslim world. Trade and production are mutually a function of each other. Linking demand with potential production in the area will result in a great spurt in intra-regional trade. Cereals, meat, textiles and fertilisers are but some examples in this respect.

c. *Payments Arrangements.* To remove one of the main obstacles of trade liberalisation, certain payments arrangements have to take place. If reserves of foreign exchange are low, and the conservation of reserves from trade liberalisation is not large, countries may be very reluctant to accept their obligations of trade liberalisation, unless adequate resources are available. The Islamic financial institutions should stand ready to extend *interest-free* short-term credit facilities to countries or groupings which suffer from balance of payments difficulties resulting from trading with other members. In most cases, the "gains" accrued from foreign trade can be calculated with the share of the bank's realised profit. It is suggested that an *Islamic Reserve Fund* should be established in the *Islamic Development Bank* to undertake this function, either directly or indirectly through feeding local groupings and their institutions. *Clearing arrangements inter- and intra-regional* can also pave the way for an *Islamic payments union*.

Agriculture and Nutrition

Vast areas of the Islamic World have ample resources for abundant agricultural production, if they were managed efficiently. Vast areas of soil could be made highly productive for crops and livestock with the use of modern technology, which gives us opportunities not only to produce more efficiently on land already in use, but also to cultivate wide areas unsuitable for cropping with older methods. Soil maps could assist in planning and the extension of agricultural knowledge, increasing the effectiveness of rain water as well as irrigation water; ground water research, seed selection, and low-cost methods for removing salt from seawater lead also to further expansion of arable lands and to increased agricultural productivity. Indeed, there is a very wide gap between the agricultural potential of the Islamic World and existing production.

To close this gap is all-important, since the Islamic world is suffering from a widening gap in food and in nutrition. It is our duty to ensure food security for the Muslim peoples, especially at a time when they are faced with unfavourable tendencies in the international food markets. This food security could only be attained with concerted action and with a special programme of increased food production, supplemented by a comprehensive programme of food aid within the Islamic world.

Industrial Development

As we have seen, industrial development in the Islamic world should be carried out in the context of regional and sub-regional cooperation. Without parallel plans of investment, plans of trade liberalisation cannot push the development of the region to an appreciable extent; this has been the experience of most economic groupings formed in the Islamic world and in other developing parts of the world.

As in the case of agricultural production, so in the field of industry, there is a *wide gap between existing and potential industrial production*. Filling this gap should be an important item of economic policy, since it increases the rates of growth, creates job opportunities, increases the value added to the products, improves the balance of payments situation, and increases the degree of self-sufficiency of the Islamic world. A systematic scientific way to examine areas of possible opportunities of joint industrial investment and the allocation of industries among countries and regions, is an important preliminary step. This may be done by making studies of the feasibility of producing items which are being imported in significant quantities by the region, and of upgrading products being exported in unprocessed form. Examples of industries which may be given priority are textiles, food processing and canning, sugar, cement,

fertilisers, petro-chemicals, and iron and steel.

It may be also advisable to establish an institute for scientific research to provide the Islamic countries and regions with modern technology adapted to their resources, needs and circumstances. As a regional project it would serve the purpose of filling the technological gap existing between the region and the advanced world, and would enable the Muslim world to attain much higher rates of growth by applying the appropriate methods of science and technology.

Financing Development

With the exception of the major oil-producing countries in the Middle East and some other countries in Africa and Asia, most of the Islamic countries are suffering from large deficits in their balance of payments and find it difficult to finance their development plans. Their export proceeds and other earnings from foreign exchange are much less than their import requirements and debt-servicing which has already constituted a very heavy burden on their resources. Many countries are borrowing heavily from abroad – in many cases at unfavourable terms – to service past debts rather than to finance development.

In spite of international efforts to improve this situation, the experience during the "U.N. Development Decades" has shown disheartening trends. It was estimated that with a continuous, uninterrupted annual rate of growth – in the developing world – of 6% for gross product and 3.5% for gross product *per capita* (2.5% being the average annual increase in population), the economic gap between the developed and the developing world, which is about twelve to one, will start to improve by the end of the century – if present trends and if the present tempo of relative development in the advanced and in the developing world persist. This situation is much more acute for the less-developed and non-oil countries in the region. Even a low income target of \$400 or \$500 by the year 2000 cannot be attained without an appreciable increase in their present rates of growth. It is quite evident that the United Nations targets in the field of financing development have not been realised. It may be recalled that the U.N. decision regarding the transfer of 1% of the GNP of the developed to the developing countries has never been attained, and was cut down later to a 0.7% target which in turn is far from being realised, in spite of the universal recognition that this target does not only constitute a minimum but falls much short of the actual needs of the developing nations. In the last few years, although regional funds have been created and access to more credit facilities has been made easier for the developing countries, the capital transfers have been effected in a scattered manner and much less in volume than needed.

To ensure an accelerated high rate of growth for the Islamic countries, and to guarantee for them the availability of development financing on a continuous basis so that they may be able to carry out their development plans without interruption and within a framework of a system of economic cooperation and integration, it is suggested that an *Islamic Development Fund* be created. It is further suggested that we take the 2½% of the *Zakat* as a guide in this respect. Whether the *Zakat* between nations is as mandatory by Islam as between persons should be a matter of thorough study, but taking into consideration that the *Zakat* is the minimum a Muslim must give to help others it would be no exaggeration to be guided by this percentage of 2.5%. If calculated on the GNP of the Islamic countries – members of the Islamic Bank – it would amount to about \$4.2 billion; if calculated on the basis of reserves, it would amount to about \$1.2 billion.

It is noteworthy that this suggested *Islamic Development Fund* would be replenishable year after year; would be mainly – if not wholly – in the form of grants not loans – soft as they may be; and would be an important and sizeable addition to other Islamic financial resources, especially those of the Islamic Development Bank. Because of the nature of the Islamic Fund, some subscriptions might be allowed in local currencies – or in kind, for example, food or textiles. A part of the Fund should be earmarked for aid programmes, especially food aid for "social" technical assistance such as fighting illiteracy, health, community development, Islamic and Arabic language education; for "economic" technical assistance which may be greatly needed in the various sectors of the economy, and in the designing and implementing of regional plans.

Besides the technical assistance provided by the Fund, it could provide financing – on a grant basis or very soft loan, interest-free, basis – for some infrastructure projects, especially those on the regional scale which are so vital not only to the national economies of countries concerned but also to plans of economic cooperation and integration of the Muslim world. It is noteworthy, in this respect, that the profitability of such projects – whether on a national or a multi-national scale – is very difficult to calculate, vital as they are; hence the difficulty of lending funds – through the normal sources of financing – on a profit sharing basis. Other self-liquidating profit-gaining projects would be competing with non-profit infrastructure projects. Thus, the *Islamic Development Fund* would fill a gap in the policy of financing: normal resources – mainly the capital and other resources of the Islamic Development Bank – would mainly finance the profitable projects where the remuneration on its capital invested – mainly in equity – could be calculated; the Development Fund resources could mainly finance, beside technical assistance and Aid Programmes, the infrastructure projects and other types where the profitability cannot be easily calculated. The first type of financing

would be purely economic – the Islamic profit-sharing interest-free type; the second type would be in the form of assistance – and also the Islamic way – but mainly in the form of grants, and very soft loans – interest free and very long-term.

It is suggested that the Islamic Development Fund would be deposited in and managed by the Islamic Development Bank so that it might be able to coordinate and harmonise the investment policy as regards the various types of available funds.

The Activities of the Islamic Development Bank

As stipulated in the Articles of Agreement of the Islamic Development Bank, its purpose is to foster economic development and social progress of member countries and Muslim communities individually as well as jointly in accordance with the principles of the *Shari'ah*. To fulfil this purpose, the Bank's functions cover a wide range: participation in equity capital of productive projects; financing infrastructure projects, making loans to private and public sectors for financing not only projects but programmes of development; promoting and facilitating trade among member countries; and last but not least extending training facilities and undertaking studies and research.

Indeed, the establishment of the Bank was an Islamic challenge in a world of "conventional" banking, and great hopes have been attached to it. It is our duty to enable the Bank to carry out its purpose and functions and to conduct its operations in a smooth and successful manner. To activate this Bank it is suggested:

a. That an Islamic Institute for Research and Training be established, preferably as an affiliate of the Bank, and as a joint endeavour with other interested centres and universities, chiefly among them Al Azhar, and King Abdulaziz University which has taken the initiative and is currently arranging for important studies on the economics of Islam.

Besides such Islamic studies, which could then be pooled and well-defined, the Institute could create an Islamic Brains Trust to conduct research on the various aspects of a work-programme for the development of the Islamic world. In the field of agriculture, mining, industry, trade, financing, as well as in the fields of planning on the national, sub-regional and regional scales, highly qualified experts are needed. Due to the relative scarcity of such experts, it is most advisable to pool their expert knowledge for this purpose.

This research function of the Bank necessarily creates a "Clearing Bureau of Information on the Economy of the Muslim World". Apart from the utility of the data, the planning and investment process, of

necessity, brings into existence a system for collecting information which enables a flow of data to be made a vital and continuing feature; to be refined and broadened with subsequent use.

Two other important functions of the Institute would be to extend assistance to Islamic countries and communities, if needed; and to carry out comprehensive programmes for training at different levels.

b. During the transitional period of preparing the development programme of work, as will be shown later, there are ample financial resources available to the Bank. Member countries and other Islamic communities should make use of these resources by presenting feasible and viable projects, national as well as regional. Requests should not only be limited to interest-free loans but should include profitable projects which are open for equity investment. For the countries concerned this would decrease the investment risks and help them to find the necessary foreign exchange component. For the Bank it would ensure a certain margin of profit, a consideration which is important to any financial institution. The activation of the Bank's operations in this direction is the duty of its members and more effort should be directed towards identifying such projects most of which are already studied and in which the Bank can participate if equity investment is allowed.

More flexibility will be ensured when other types of resources – besides the normal ones – are provided. Chief among them are the above-mentioned *Zakat* Islamic Development Fund, and other special funds which may be deposited in and managed by the Bank.

c. Not only large-scale and infrastructure projects, but also the medium-scale and small-scale ones, can make use of the resources of the Bank. National Islamic banks, "profit sharing" industrial banks and "co-operative savings banks" can obtain sizeable resources from the main Bank. They in turn can "retail" credit or equity investment, each getting its share of profit, including the main Bank. Furthermore, these co-operative banks would be an important channel to mobilise local savings for the process of development.

d. With ample financial resources of different types, and with enough studies and data, the Bank is to play a dominant role not only in preparing the plan of the economic development of the Muslim world but also in its implementation. In their annual meetings the Governors of the Bank could also take up the follow-up function, which is an important aspect of good planning. This role of actively participating in the preparation, implementation and follow-up of the plan, will indeed greatly increase the activities of the Bank.

Programme of Work

It is suggested:

a. that an expert group – at the highest level – be formed to design the general framework of a programme of work for enhancing economic cooperation and development in the Muslim world, taking into account the guidelines mentioned above.

b. That specialised teams of experts take up specific studies and sectorial plans, in particular in the fields of regional and sub-regional planning, surveying resources, agriculture, industry, trade and financing. In conducting their work, these teams should take the initial step of reviewing and of stock-taking what has been done in these fields so far, by national and international bodies.

c. That an overall plan is prepared with specific steps and targets, with built-in flexibility, and with due regard to synchronisation and complementarity in the process of implementation. Priorities should be set up, taking into account, in particular, the pressing needs and accelerating rates of growth.

d. The programme of work, as well as the Islamic Development Plan, should be characterised by taking up the economic problems of the Muslim world as an integrated whole not in a scattered, disconnected manner.

It is hoped that with bold and concerted action, the fullest use of the resources of the Muslim world will take place as a continuous and progressive trend, so that we may be able to provide the Muslim peoples with a happier and better life. With the help and mercy of God, with the guidance of the sacred teachings of Islam, with self-reliance and willing determination, the Muslim world can take a well-merited place in the world economy.

14 The Goal and Strategy of Economic Development for the Muslim World

Hisham M Nazer

Introduction

The struggle for freedom in the Muslim countries is not yet complete. Liberation has been limited merely to ridding lands of foreign elements albeit in a less than satisfactory fashion. Liberation has not been carried to its logical conclusions for there is no such thing as half-acceptance of Islam. The resilience of Islam continues to be a matter of concern to the most diehard of its critics. Observing the response of Muslims to various challenges in the past, however, one cannot but be optimistic about the end results of this new state in the struggle.

It may be only a matter of time before all Muslim countries have a functioning Islamic system. The rival systems to Islam, the various forms of capitalism and communism, breed excessive individualism or collectivism which both give rise to tension and conflict in society. The essence of the failure of these philosophies lies in their inability to deal with life as a whole – its spiritual as well as its material aspects.

The distinguishing feature of an Islamic system, however, is that it combines the secular and the spiritual. In the economic sphere it demands that neither poverty nor prosperity shall be the monopoly of either individuals or groups. Hence, the level of intervention on behalf of the individual or society is not *a priori* fixed, but varies according to need.

In a smoothly functioning society, there is no need for intervention. But when dualism prevails and abject poverty and affluence coexist, interference is justified in order to achieve social justice.

The struggle among the various ideologies will determine future developments in many countries including "Muslim" ones for some decades to come. It is our fervent hope that the vitality of ideologies would not be put to the test in global war. But while the presence of competing ideologies in Muslim countries is hardly welcome, it does provide an opportunity for Muslims to test the vitality of Islam in areas where it has not been tested before.

In the Muslim world, no matter how antagonistic we might feel

towards the two systems, we are not spared their impact. Limiting the scope of the discussion to economics, influences can be seen to come at two levels:

1. Our intellectual indebtedness to the non-Muslim world at present is no less than that of the West to the Muslim world in the Middle Ages. For all Ibn Khaldun's profound pronouncements (which despite being four centuries earlier are in a good many ways more advanced than those of Adam Smith), the tools of economic analysis at our disposal at present are the creation of professors outside the Muslim tradition. It will be difficult to rid ourselves of the philosophical perspectives which we have absorbed from sources antipathetic to Islam.

2. In practical terms our economies are subject to the ebb and flow of other economies. Although in some areas, such as oil prices, the tide has been moderated, the great need for the importation of technology and expertise along with big inflows of consumer goods leaves little scope for independence from these influences.

This profusion of foreign influences makes the formulation and implementation of an Islamic framework of analysis difficult but by no means impossible. For one thing Islam has never envisaged an exclusively Islamic world. It is cognisant of non-Muslims both within and outside Muslim states and has provided a body of law to govern relations with them.

If Islam is going to be brought to bear on our economic life it is an absolute necessity that its position on various issues of modern life be made explicit. The philosophical basis on which these positions rest must also be clarified. For example, to know the prohibited acts, on a limited scale, in the absence of a framework for their exclusion from practice, may result in a guilty conscience and nothing more. There has to be in addition some positive reaction. This point has already been heeded in a small but significant way by the establishment of the Islamic Development Bank, the significance of which is daily becoming more apparent.

Any analysis of contemporary problems with all their ramifications has to be done in the light of historical precedents. Thus far purposeful historical research has been lacking. (The Islamic Council of Europe has made a start in contributing to this vital research.) Even those problems which do not seem to have precedents in the past will benefit from this historical approach. This is not to argue against bold and imaginative but sincere efforts for their solution.

The same set of problems, however, is not common to all Muslim countries. Each has its own special problems, and a common set of solutions or an all-embracing solution is an impossibility by definition. It

is imperative therefore that while seeking solutions the peculiarity of individual countries should not be overlooked.

I now wish to turn to a discussion of the country I am most familiar with as an illustration of a unique experience in development within the parameters of Islam. I will then return to the overall strategy for Muslim countries.

The Goal and Strategy of Development in Saudi Arabia

The sources of guidance for development in Saudi Arabia are the time-honoured principles of Islam. We are only heeding the profound lesson taught to us by the "*most beautiful of stories*" (*Surah Yusuf*) in the Qur'an in trying to plan during prosperity for times when resources will no longer be in abundance. We will utilise our exhaustible material wealth according to the precepts of our inexhaustible spiritual wealth. We are starting numerous economic projects that, God willing, will combine the best use of our natural resources with meaningful employment opportunities for our people in the decades to come – we wish to internalise the machinery of growth and development.

But this is not a simple task. The utilisation of our resources has posed challenges which, in complexity, are unprecedented and unparalleled in the history of development. We are linked to the rest of the world in ways in which no other country is linked and as a consequence, we cannot ignore the rest of the world in our economic decisions, nor can we be ignored by them in theirs.

The vastness of our oil resources has attracted enough attention; allow me, however, to share with you something which is very much the focus of our attention. In 1975 our per capita non-oil GDP – which is a more realistic measure of our welfare – was about \$860. Our combined oil and non-oil per capita GDP stood at \$6,100. To the outside world which looks at our combined per capita GDP of \$6,100, we are very rich, perhaps as rich as the United States, but taking a realistic look at our standard of living we realise that despite our considerable achievements, as reflected in the 16% annual growth rate of our GDP, we still have a long way to go.

In our attempt to internalise the machinery of growth and development, we are intent upon decreasing the weight of oil in our growing GDP and increasing the weight in other sectors. The essence of our Second Five-Year Development Plan is its focus on human and social development, and the alleviation of our infrastructural inadequacies; hence 23% of the development expenditure of the Plan was allocated to human and social development and 40% for infrastructural development, 13% for water and agriculture and 14% for manufacturing and minerals. We

judged that this pattern of allocation was necessary for making Saudi Arabia self-reliant in the long run.

Although the implementation of our First Development Plan was a success, in drafting the Second Development Plan we realised that we had to provide for the rapid drift to sedentarisation and urbanisation that our people were embarking upon. Some of our remote cities and villages had still to be connected by roads; a vast number of houses were to be constructed; electricity, telecommunications, telephone, and water and sewage systems, ports, airports, schools, hospitals, were to be built. In short, all the basic elements termed as infrastructure, that are essential for development, had to be constructed from an almost zero base. All these tasks had to be accomplished within the shortest time possible.

In other words our development objective was to create the conditions, economic and otherwise, that would allow the largest segments of our population equal access to opportunities for self-realisation. Therefore, we launched on massive educational and human resource development programmes. About 12% of our annual budget is allocated to education alone; in 1976 the total number of students enrolled in educational institutions was over one million, constituting 13% of the total population in that year, and overall the number of students has risen by 75% between 1970 and 1976.

We also did not want to neglect the collection and processing of the natural gas which flared at a rate of about 4 billion cubic feet per day.

Accomplishing all these tasks requires vast sums of money. To give you an indication of the cost of our development let me cite one or two examples. Water, which in many other countries is almost a free gift, we have to desalinate at costs of about \$ 1. per cubic meter, or we have to obtain it from great depths from our depletable fossil resources at about half that cost. These are very high costs for a resource which is essential to life. Our agricultural, industrial, urban and rural developments are all consequently made expensive by the high costs of this one essential ingredient.

The costs of our projects in such sectors as housing, municipal development, roads, hospitals, telephone and telecommunications are very high indeed. Our housing programme alone consists of constructing more than 338,000 housing units during the Second Development Plan, part being constructed by the Government, and the rest by the private sector to which the Government gives interest-free loans of about \$85,000 per dwelling. These examples, which constitute only a partial list of our projects, should be a source of relief to those who take a quick look at our present liquid assets and are astonished by their size. They fail to see the requisite level of our needs in an appropriate time-frame. Our potential level of expenditure is very great indeed, and one should avoid

the mistake of judging the size of our annual revenue from the level of our expenditure at the present time. The trend in our potential level of expenditure can be seen by noticing that our imports, which were 18% of our GDP in 1975, have been growing at a compound rate of 60% during the past four years, far surpassing our growth in GDP of 16%.

Relations with the Industrialised Countries

This high level of imports and its further growth also indicates the extent to which our economy is linked to the rest of the world, particularly the industrialised countries. This is the most complex area of our relationship with the outside world upon which I wish to elaborate a little further. The composition of our natural resources ties our economy with the industrial world, the industrialised world needing our oil resources in far greater amount than our present development expenditures require us to produce. The obvious question is why do we not curtail our level of oil production? We do not do that to avoid the dangerous consequences that it would have on the world economy. The repercussions of our actions do concern us, we do not ignore others when we make our decisions. At the same time, we do not intend to allow our resources to be eaten up by the voracious appetites of the industrialised countries. This is why in OPEC the price of oil is mainly linked to other sources of energy in a continually adjustable system. This way we are able to strike a balance between the needs of the industrialised countries and our needs to stretch the life of our resources.

Another potential link to be established with the industrialised world in the not-too-distant future will be in the petrochemical products field which Saudi Arabia will be exporting. These petrochemical products will be the result of the world's biggest gas collection, liquification and processing industries at present under construction in Saudi Arabia. However, given the size of our own market or the markets near to us, some of which will also be producers of similar products, our only viable markets for export of these products are, again, the industrialised countries.

Hence, by the sheer composition of our resources our economy is tied with those of the industrialised countries.

Although we see our relationship with the industrialised world as one of trade and exchange, the industrialised world does not look at it with the same vision and open-mindedness. OPEC, which has done a great deal for world conservation of energy and brought some justice to the price structure of oil, is looked at by the industrialised countries as a threat to their economic survival. They have tried to contrive every means for its destruction and some of their economists have been busy

forecasting its collapse. However, due to the maturity and vision of its members, OPEC has survived and is functioning with greater vitality, as if benefiting from a strong dose of IEA (International Energy Agency) vitamins. World inflation, and recession, the true causes of which lie in reckless policies pursued by most of the OECD member countries during the decade of the 60's, are all blamed on the OPEC pricing policies of the 70's. In the arguments that justify such claims, we see the depths of subjectivity to which economic science can descend.

But let me assure the industrialised world that we are intent upon a policy of "malice toward none and charity for all", based on fair trade which is sanctioned by our belief and practised throughout our history. In the utilisation of our material wealth we will be guided by our moral wealth (the source of which is inexhaustible) which defines the ultimate limits of fairness and benevolence.

Relations with the Muslim Countries

With the Muslim world our relationship is one of brotherhood which, in keeping with the best Islamic tradition that binds secular and religious lives in an inseparable mould, we are re-vitalising through economic ties.

Our foreign grants and aid, the majority of which went to Islamic countries, have consistently risen from about 3% of GDP in 1972 to about 14% of GDP in 1977. This is a very high ratio of aid to GDP. It far exceeds the target of .7% of GNP set by OECD for development assistance. Between 1972 and 1975 our foreign economic aid amounted to \$11.7 billion, 28% of which were outright grants, 34% in loans and the remaining 38% in terms of commitments to Regional and International Institutions. In 1976 we committed ourselves to a total of \$5 billion in loans.

Some of the best examples of our aid are those that have forged a complementary relationship between our economy and those of other Muslim countries. For example, a portion of our aid to Pakistan has been for training of skilled Pakistani workers, which would help towards their ready absorption into our industries. Our aid to the Sudan for agricultural development will enable us to import food and conserve water. We would like to see such complementary relations between the economies of Muslim countries grow, and hope that this feeling is shared by our brother Muslim countries.

The unity and stability among the Muslim countries that have been witnessed in recent years are very hopeful signs. In them we see not only the seeds of development and prosperity, but also the key to solving the Palestine problem, where a just solution is a desire shared by all Muslims.

A Development Strategy for Muslim Countries

In defining a strategy for development let us not lose sight of the strategy that is sanctioned by every saint and sage and recently even by the *American Economic Review*, and which is also a central theme of our own belief: "The willingness and ability of people to work hard and effectively on a national scale for goals that inspire them are perhaps the most important factors in explaining a country's economic development."

The Qur'an tells us that change is not brought about from without but takes place from within:

إِنَّ اللَّهَ لَا يُغَيِّرُ مَا بِقَوْمٍ حَتَّى يُغَيِّرُوا مَا بِأَنْفُسِهِمْ

"Indeed God does not change the condition of a people until they change that which is in themselves." (Al-Qur'an XIII:11)

The economic development of a country is the consequence of the development of its people. The roots of underdevelopment are many. They cannot be uncovered by an *economic* inquiry alone. Perhaps a socio-economic inquiry will give better results and a multi-disciplinary approach would be better still, but let us confine ourselves to some socio-economic reasoning. In this context I am reminded of Ibn Khaldun's profound statement: "Man is the child of customs, not the child of his ancestors." Many layers of customs and habits are barring Muslims from functioning in line with Islamic work-ethics. The best definition of Islamic work-ethics can be found in a quotation from the Qur'an:

وَقُلْ أَعْمَلُوا فَسَيَرَى اللَّهُ عَمَلَكُمْ وَرَسُولُهُ وَالْمُؤْمِنُونَ

"Say: Work and Allah will see your work, as will his Messenger and the believers." (Al-Qur'an IX: 105)

and in some of the *Hadiths*:

"Muhammad has said: Whatever food any one of you eats, let it be nothing but the fruit of his hands."

"Verily Allah loves the servant who practises a trade."

"He who in the evening is weary from manual labour shall receive pardon for his previous sins [that very same evening]."

All these and numerous other quotations from the Qur'an and the *Sunnah* indicate that Islam makes work a form of worship, and indeed it rates it above all formal worship.

But why are Muslims less committed to work than their religion would want them to be? This is a question that does not have a simple answer, but in my opinion, part of the answer comes from the fact that in many countries Muslims are alienated from their religion. Their motivation to work is stifled by the alien environment and milieu that surround them. Alien ideologies imposed upon them do not elicit response from them. They do not see their worldly life as contributing to their self-realisation, nor as preparing them for their ultimate destiny. As a result, some neglect the world and adopt a parasitic style of living, and some embrace the present material world in total disregard of the one to come. Thus their reaction to the environment is alienation or social schizophrenia.

If this diagnosis of the state of affairs in various Muslim states is close to being a correct one, then its implications for discerning a development strategy is obvious: each Muslim country should give the highest priority to finding ways to increase the "committed participation" of their population in the development process.

From studying the strategies pursued by a majority of countries one can conclude, however, that not only is a "committed participation" not sought after, but a total disregard for people is apparent. A good illustration is in the strategy, which was very much in vogue during the 60's and has now fallen from fashion. It was the blind emphasis on industrialisation, which, by the sheer force of resource constraints, resulted in the negligence of agriculture. The industrialisation objective was not achieved and other failures also ensued. One measure of losses suffered as a result of the adoption of this strategy was an increasing *dependence* by many Muslim countries on foreign food supplies whereas, with some effort, some could have achieved self-sufficiency in agriculture. This strategy of course has its roots in alien ideologies, otherwise why would a strategy be adopted that paid only lip service to the livelihood of the vast majority of the population?

This, in summary, is a broad outline of a strategy for development, the one we have found best and adopted, and following the dictates of our faith, we wish our brethren would also adopt. We do realise, however, that the level of resource endowments, population size, etc. will intro-

duce modifications in the actual development methods, and would bring about some variations from country to country. But so long as the human being remains the centre of concern, and his innermost yearnings are considered, the strategy can be regarded as Islamic.

15 Oil Resources – Present Status and Future Prospects

Ahmad Ezzedin Hilal

Oil remains the main source of energy in most countries of the world, and oil will continue to assume that fundamental role for many years to come. The share of petroleum (namely crude oil and natural gas) in local energy consumption was about 53% in 1965; it jumped to about 62% in 1975.

Despite the fact that the world has begun to realise recently the real value of that rare and depleting wealth, particularly following the rectification of the oil prices in 1973 and 1974, and despite the fact that all countries of the world have begun to pursue the trend of oil conservation and preservation with a view to extending its lifetime until the world is afforded new energy resources, all forecasts indicate that the world will continue to rely on petroleum as a fundamental source of energy till the end of our century. Estimates of world energy needs show that the share of petroleum (of oil and gas) in 1985 will reach about 62% of the overall world energy consumption; this percentage will be about 58% in the year 2000. This implies that world crude oil production should jump from about 57 million barrels a day in 1976 to about 85 million barrels a day in 1985, in order to reach the figure of 126 barrels a day in the year 2000. At the same time, natural gas production should rise from about 22 million barrels a day – oil equivalent – in 1975 to about 34 million in 1985 and to about 49 million in the year 2000.

The question that poses itself today is, "What is the status of the Islamic group of nations on the oil map at present and in the future?"

According to estimates announced at the end of 1976, the land of Islam has been blessed with some 63% of the proven world reserves of crude oil; the reserves of the Islamic countries are about 378 billion barrels against the overall world reserves of 600 billion barrels. In addition, crude oil production in the Islamic group of nations in 1976 reached about 27 million barrels a day, namely 48% of the total world production of 57 million barrels a day in the same year.

In other words, the Islamic nations now control about two-thirds of the world's oil reserves and about half of the world's production of that

rare and vital substance, the backbone of civilisation in the industrialised world of our day and age.

This promising image however is tarnished by the gloomy spectre of economic underdevelopment from which the Islamic nations suffer. This is simply borne out by the low level of absorption of energy resources by their economies. The total consumption of energy resources in general by the group of Islamic countries did not exceed 188 million tons – coal equivalent – in 1974; this means that the annual per capita share of consumption in this group did not exceed 392 kgs. coal equivalent. This is almost equal to the average per capita consumption in the group of developing nations, which is 394 kgs. a year. We can realise how extremely low this level of consumption is when we compare it to the average per capita share in the developed countries, which is 6349 kgs. coal equivalent, although this share varies between 4000 kgs. in West Europe and Japan and more than 11000 in the U.S.A.

Such is the position today. The question now is: What are the future prospects of energy in general and petroleum in particular? I believe I hardly need stress that the world energy picture at present remains most uncertain and unclear.

The world has suddenly awakened to the fact that it is squandering that depleting and priceless product, oil; that it is imperative to hasten the search for new non-depleting sources of energy, and that large funds as well as time and effort must be deployed in this search. It is now clear, however, that many programmes announced by major industrial countries in this regard have suffered serious setbacks.

Despite the fact that most world energy policies currently adopted and implemented are still in their preparatory stage, one thing has become clear in the past few years, and has become a principle about which all countries agree without exception; namely, that energy preservation and conservation is the dominant factor in new energy policies and is probably the only factor on which we can rely in the foreseeable future to achieve some form of balance between world energy needs and traditional energy resources output.

As the old saying goes, "Every barrel of oil saved in consumption is in fact an added barrel of oil to production."

As is well-known, the OECD (Organisation of Economic Co-operation and Development), which groups 24 industrial countries, including the major industrial states, has established the World Energy Agency in 1974, and has among other things entrusted it with laying down the programmes and measures to curb energy consumption in general and petroleum in particular. Within its competence, every member-country of the Agency is committed to take drastic steps for the implementation of these programmes. Irrespective of any other missions

undertaken by that world agency, which may conflict with the interests of the oil-producing countries, there is no doubt that in the field of conservation, the objectives of the Agency are regarded as desirable and shared by all countries in the world. What calls for optimism in this domain is the fact that OAPEC – the Organisation of Arab Petroleum Exporting Countries – has, for sometime now, been studying the prospect of establishing an Arab Energy Institute or Centre to study, *inter alia*, the ideal use of petroleum, and ways of its conservation.

The programmes and measures of energy conservation recently adopted by the energy-consuming countries reveal that the pricing policy plays the leading role in those programmes and measures. All countries agree to the importance of pricing energy resources at world market standards, and that pricing below those standards leads to exaggeration in consumption and conflicts with the desired conservation objectives.

At the same time, taxes levied on some fuel products are used as a means of realising a revenue to be spent on projects connected with the consumption of that fuel. An example would be the taxes levied on benzine where the proceeds are channelled to road-building and other projects made necessary by the expansion in the use of cars. For instance, in Italy, taxes levied on benzine reach about 65% of the price of sale to the consumer.

The conservation programmes include a number of other measures such as:

1. The establishment of special organs entrusted with the mission of supervising the drawing-up and implementation of conservation programmes in conjunction with the different energy consuming sectors.
2. Devising incentives to encourage consumers to save energy, such as granting facilities on loans earmarked for new buildings or for alterations to old ones, with a view to reducing the energy used for heating, cooling, etc.
3. Laying down special educational programmes to be taught at school, so that all may become energy conservation-conscious. This is in addition to the education and training programmes earmarked for specialists, such as engineers and the like.
4. Drawing up programmes for the enhancement of productivity in the use of energy in both the sectors of industrial production and electrical generation. Such trends should be encouraged by different incentives such as tax exemptions and facilities in loans needed for the purpose. This includes encouraging factories to make use of the heat energy wasted in the generation of electricity. It also includes improvement of the economic efficiency of central power stations by granting special rates to

peak load consumers for instance and other load management techniques.

5. Contribution by the State to research and development programmes aimed at conservation.

6. Enforcing special measures to save on energy in Government buildings and organisations.

7. Taking a special interest in measures aimed at saving on car fuel by enforcing speed limits, promoting the purchase of low-consumption vehicles and encouraging the sharing of transportation, etc.

8. Devoting attention to the laying down of special standards for equipment operating on energy, and promoting production of equipment conforming to those standards.

Finally, I wish to lay stress on the fact that the position of the developing countries in general and the Islamic world in particular should, in the future, differ from that of the industrialised countries with regard to energy consumption. As a result of the cheap energy resources we have afforded them, the industrialised countries have been able to reach their present high standard of progress and prosperity. Now, it is incumbent on those countries to accept their obligations towards the developing states and assist them in the drive to development by bridging the gap between them in the field of production and consumption. We find that future energy consumption estimates show a clear disparity between the developed industrialised countries on the one hand, and the developing states in general and the Islamic in particular on the other. If we should take the estimates of oil demand as an example, we would find that the OECD countries put as one of their targets the reduction of the annual growth on oil demand from some 7½% annually prior to 1973, to some 4% annually now and until the year 1985. In the meantime, future estimates indicate that the rate of growth on demand outside the OECD will remain as it was prior to 1974; moreover it is even expected to exceed that rate to meet the pre-requisites of rapid economic development in the years to come.

I am indeed happy to say that the Egyptian delegation, which in the past 18 months has contributed to the activities of the International Economic Co-operation Conference known as the North-South Dialogue in Paris, has pooled its efforts together with those of other Islamic and developing countries attending this conference so that the resolutions adopted should provide enough guarantees to afford future energy needs of developing countries on the basis of priority and preferential claim over the developed countries.

So much for a general briefing on oil prospects in the world, with special reference to the Islamic countries. It may be of interest to speak of

the dedication and indefatigable efforts of an Islamic country which, only a year ago, was an oil importer, and today is a net exporter: [this happens to be my country] Egypt. The battle was not easy, but the reward was heart-warming. In a short period of some three years, Egypt signed 36 production-sharing oil agreements, with thirty companies of 13 nationalities – a record by all standards. Concessions cover 522 thousand square kms. where the most sophisticated equipment and advanced technology are being harnessed to unearth the black gold, which is to contribute to Egypt's prosperity, today and tomorrow. The development of oil production in Egypt has transformed the balance of payments in the petroleum sector. The deficit of some 230 million dollars in 1974 was reduced to 65 million in 1975 only to be totally met and exceeded in 1976, which was marked by a surplus of 300 million dollars. In 1977, the surplus will increase to 525 million dollars, and will continue to rise to reach the figure of at least 12000 million dollars in 1980.

Egypt's oil production today is 440 thousand barrels a day – a figure we are committed to boost to one million barrels a day in 1980.

The Islamic world should join hands and operate in full solidarity, to harness its energy resources for progress and development, for world peace and for the welfare of Man.

TABLE I

Petroleum reserves and production in the Islamic Region and in the most important areas of the World (1976, thousand barrels)

	<i>Petroleum Reserves</i>		<i>Production per Day</i>	
ISLAMIC COUNTRIES				
The Arab Countries	300,000		19,274	
Iran	63,000		5,883	
Gabon	2,100		214	
Indonesia	10,500		1,505	
Turkey	500		69	
Malaysia and Brunei	1,600	377,700	361	27,306
OTHER COUNTRIES				
The Soviet Union and China	98,100		12,152	
North America	31,300		10,265	
Western Europe and the rest of the World	92,900	222,300	7,664	30,081
TOTAL		600,000		57,387
ISLAMIC COUNTRIES PERCENTAGE		63%		48%

TABLE II

Energy consumption in general and oil in particular in the Islamic group of nations, compared to consumption in the most important parts of the World (1974, million tons coal equivalent)

	Energy		Oil	
African Islamic States	34.6		27.7	
Middle East Islamic States	108.9		62.8	
Asian Islamic States	44.6	188.1	23.8	114.3
<i>Average per capita yearly consumption (kilogramme coal equivalent)</i>				
The Islamic Group	392			
The World	2,059			
The Developed countries	6,349			
The Developing countries	394			
The Socialist countries	2,004			
The USA	11,485			
West Europe	4,243			
Japan	3,839			

TABLE III
Development of World energy consumption in the past decade (million barrels of oil a day with percentages)

	1965		1972		1973		1974		1975	
Oil	30.6	37.3	51.4	44.7	55.4	45.8	54.6	44.7	54.0	43.9
Natural Gas	12.9	15.8	20.8	18.1	21.5	17.8	22.2	18.1	22.2	18.0
Coal	33.9	41.3	35.7	31.1	36.7	30.4	37.2	30.5	37.8	30.7
Hydro Electric Power	4.5	5.4	6.3	5.5	6.3	5.2	6.9	5.7	7.2	5.9
Nuclear Electric Power	0.1	0.2	0.7	0.6	1.0	0.8	1.2	1.8	1.8	1.5
	82.0	100%	114.9	100%	120.9	100%	122.1	100%	123.0	100%

TABLE IV

Development of oil consumption in the most important regions of the World and the oil share of the total energy in every region (million barrels a day with percentages)

	1965		1972		1975	
WESTERN INDUSTRIALISED COUNTRIES						
The USA	11.0	41.1	15.5	44.0	15.3	44.0
West Europe	7.8	46.1	14.0	59.1	13.3	56.3
Japan	1.8	57.8	4.7	72.8	4.8	69.5
Canada	1.1	43.1	1.6	42.5	1.7	41.6
	21.7	43.9	35.8	51.7	35.1	50.5
SOCIALIST COUNTRIES						
The Soviet Union	3.6	27.8	5.9	34.0	7.4	35.9
China	0.2	4.5	0.6	8.9	1.1	14.4
Other socialist countries and East Europe	0.6	11.5	1.3	19.2	1.7	21.0
	4.4	19.3	7.8	25.4	10.2	28.0
THE REST OF THE WORLD	4.5	46.0	7.8	52.4	8.8	51.0
THE WORLD	30.6	37.3%	51.4	44.7%	54.1	43.9%

TABLE V

Development of natural gas consumption in the most important regions of the World and the share of natural gas of the total consumed energy in every region (million barrels a day with percentages)

	1965		1972		1975	
WESTERN INDUSTRIALISED COUNTRIES						
The USA	8.60	32.3	11.7	33.3	10.3	29.7
West Europe	0.40	2.3	2.3	9.6	3.1	13.0
Japan	0.03	1.2	0.1	1.1	0.2	2.3
Canada	0.40	17.5	0.8	20.9	0.9	22.6
	9.43	19.3	14.9	21.5	14.5	20.8
SOCIALIST COUNTRIES						
The Soviet Union	2.40	18.3	3.8	21.6	4.7	22.6
China	0.01	0.3	0.1	1.1	0.1	1.2
Other socialist countries and East Europe	0.40	6.8	0.7	10.1	1.0	12.3
	2.81	12.0	4.6	14.8	5.8	15.8
THE REST OF THE WORLD	0.70	6.7	1.4	9.2	2.0	11.4
THE WORLD	12.94	15.8%	20.9	18.1%	22.3	18.0%

TABLE VI

Energy World demand in the most important regions of the World (million barrels of oil a day with percentages)

	1974		1975 (estimates)	
OECD COUNTRIES				
Coal	13.7	19.8	18.5	17.7
Oil	35.6	51.4	52.7	50.6
Gas	14.1	20.3	17.7	17.0
Nuclear	1.2	1.7	9.3	8.9
Hydro Electric Power	4.7	6.8	6.1	5.8
	69.3	100%	104.3	100%
THE SOVIET UNION				
Coal	7.00	36.1	11.60	33.7
Oil	7.00	36.1	10.50	30.5
Gas	4.70	24.3	8.10	23.6
Nuclear	0.64	3.3	1.28	3.7
Hydro Electric Power	0.04	0.2	2.92	8.5
	19.38	100%	34.40	100%
EAST EUROPE				
Coal	4.74	61.2	5.80	54.4
Oil	1.82	23.5	2.80	26.3
Gas	1.00	12.9	1.60	15.0
Nuclear	0.16	2.1	0.40	3.7
Hydro Electric Power	0.02	0.3	0.06	0.6
	7.74	100%	10.66	100%
CHINA				
Coal	6.1	83.2	9.2	71.3
Oil	0.97	13.3	3.0	23.3
Gas	0.09	1.2	0.5	3.9
Nuclear	0.17	2.3	0.2	1.5
Hydro Electric Power				
	7.33	100%	12.9	100%
REST OF THE WORLD				
Coal	5.00	30.2	6.30	21.2
Oil	8.60	51.8	16.30	54.7
Gas	1.90	11.5	5.70	19.1
Nuclear	1.06	6.4	1.40	4.7
Hydro Electric Power	0.02	0.1	0.09	0.3
	16.58	100%	29.79	100%

TABLE VII
Estimates of energy World demand in 1985 and 2000 (million barrels of oil a day with percentages)

	1985 The World excluding Socialist countries		The World		2000 The World excluding Socialist countries		The World	
Coal	24.8	18.5	51.4	26.7	42.2	21.4	81.0	26.8
Oil	69.0	51.5	85.3	44.4	94.4	47.8	125.7	41.6
Gas	23.4	17.4	12.4	17.5	27.7	14.0	49.0	16.2
Nuclear	9.4	7.0	33.6	6.5	21.1	10.7	29.5	9.7
Hydro Electric Power and other energy	7.5	5.6	9.4	4.9	12.1	6.1	17.3	5.7
	134.1	100%	192.1	100%	197.5	100%	302.5	100%

16 Oil and the Muslim World

A R K Mackintosh

The Minister has highlighted the world's continuing reliance on oil and gas as the major source of energy for the rest of this century. Oil and gas nevertheless constitute a relatively small proportion of total known non-renewable energy supplies. A recent estimate by the United Kingdom Department of Energy shows that oil and gas accounted for 6% of total reserves with coal and uranium accounting for the balance. Furthermore, at current rates of demand growth, total oil and gas supplies would be largely exhausted in the next century.

Recoverable reserves including probable and undiscovered (million barrels oil equivalent with percentages)

	Reserves		Growth Rates		
			0%	2%	4%
Oil	1,700	3.5	82	49	37
Gas	1,250	2.6	155	72	51
Coal and Lignite					
(50% recovery)	23,650	49.2	1,895	185	110
Uranium at \$30 ton	21,500	44.7	na	na	na
(in fast reactors)					
	48,100	100%			

This rapid depletion of our hydrocarbon resources can only be viewed with alarm. Unlike nuclear power, to a lesser extent coal, and all renewable sources (solar, wind, wave power), hydrocarbons can be used for other more valuable purposes, such as chemicals. Yet in the short term, due to the long lead times involved, only oil can physically meet the bulk of our energy requirements.

This raises two major questions. What actions are required to ensure that there can be a smooth transition from oil to other energy forms?

Given the strong oil and gas position of the Muslim world such as the Minister has already outlined, what attitude should it adopt in contributing to the world's energy needs?

The first question is easy to answer in theory. Clearly, with a heavy reliance on oil production where the long term resources base is narrow, it would make sense to invest heavily in alternative energy forms. This can be coupled with a much more stringent approach to energy conservation than historically has been the case.

In practice, of course, it is not so simple. First, despite the sharp rise in oil prices in 1973, alternative energy forms have remained relatively more expensive, or have major environmental drawbacks. Coal, particularly open-cast, can clearly be developed more cheaply and in larger quantities in some parts of the world, particularly the USA, but in many cases there are major environmental problems. Nuclear power can be obtained at a similar price to oil but there are again increasing environmental drawbacks. More esoteric energy forms come at higher prices: oil from coal at \$17-23 per barrel, and oil from shale and tar sands \$12-25. Solar energy on a large scale could cost in the range \$15-25 per barrel of oil equivalent.

While conservation is vital, it appears unlikely that the scope is as great as one would expect. It takes ten years to change a nation's stock of cars; thirty, its industrial plant, and a century, its houses. It is, therefore, not surprising that a recent survey in the USA concluded that even assuming a far more rigid programme than that contained in President Carter's recent energy message, only 9% could be cut from consumption by 1985.

A further ingredient preventing faster progress towards a new energy mix lies in the developed world's political complexion. Democratic politicians like to be re-elected - this tends to lead to shorter time-horizons when instituting policies. A major diversion of resources into developing high cost alternative energy sources is, therefore, difficult to achieve rapidly outside an authoritarian system. The implication is that public opinion must be educated and this major exercise is still at an early stage in the USA, where Carter's current energy policy can be viewed more as a public relations exercise rather than one leading to any dramatic early shifts in the country's energy mix.

The world's leading consumers of energy are, therefore, taking faltering steps towards the development of new resources, and the conservation of supplies. The time horizons remain long, however, and it can be argued that more urgent programmes are required.

Against this background, the position of the Muslim world is clearly vital. It sees the danger of being asked to deplete rapidly one of its only natural resources. However, it is not in a position to fully absorb the huge revenues accruing, without generating high internal inflation

levels or alternatively, perhaps unwillingly, investing elsewhere mainly through the international banking system.

Clearly in an ideal world, with oil's many non-energy uses, oil should be produced by a developing country at a level sufficient only to enable it to build up its internal infrastructure at a controllable rate. In this way it will still have sufficient oil to take advantage of its value as a relatively rare substance when it is used almost entirely for non-energy uses.

This can only be achieved for certain countries either by cutting prices or restricting production. The first of these options would clearly make little sense as this would only serve to increase demand for a scarce resource. It is, therefore, in the field of production restrictions that most discussion has centred. This can, of course, be achieved either by placing a limit on production or, alternatively, increasing prices in real terms, thus prompting faster development of other energy forms. The first of these methods could have grave economic repercussions, unless announced well in advance in order to enable consumers to develop other sources of supply. A sudden restriction in supplies would adversely impinge on general economic growth rates which are already running at very low levels. Gradually increasing prices, in real terms, would clearly have some effect over an extended period but, in the meantime, the increased monetary flows could lead to other, not necessarily insurmountable, problems.

A further area of possible policy development could lie in reaching a better international understanding on the handling of surplus oil revenues. There is a general wish to see much of this money move in one form or another into developing countries. The problem is that the technical resources of the developed countries, and the financial capability of some of the oil-rich countries need certain guarantees for joint ventures in some developing areas where political stability is questionable. There is perhaps scope for some form of international guarantees whereby the political risks of an investment were largely removed, leaving the technical and financial risks still very much the concern of the investor and contractor.

In conclusion then, the role of the Muslim world in energy policy will be crucial over the next twenty-five years. The need for the world to reduce its heavy reliance on oil and gas for energy use is indisputable. The Muslim world is in a key position to ensure this is achieved in an orderly manner without adversely affecting its own interests. In this context, production restrictions should preferably be planned on a long-term basis with adequate notice to avoid economic disruption. There is clearly room for some further real increase in oil prices over time but, again, rapid changes could prove counter-productive. Finally, new international initiatives to reduce the political risks of

investing in developing countries could provide a much greater stimulus for surplus funds to be recycled directly into such areas.

17 The Oil Challenge

Ali Ahmed Attiga

The main theme which connects all the important topics in Mr Hilal's paper is the conservation of hydrocarbons combined with the intensification of regional and international cooperation aimed at increasing the world supply of energy and accelerating the economic development of the less-developed countries. As I am in full agreement with his general theme, I shall refrain from discussing its basic assumptions or empirical evidence in any detail. Instead, I will concentrate on the main implications of these topics for the oil-exporting countries.

The Importance of Oil and Gas

The dominant place of oil and gas in world energy supplies is well illustrated in Mr Hilal's paper, but it is relevant to recall that this situation was largely brought about by a rapid and deliberate process of transition from coal to oil in the industrially advanced countries. With the discovery and development of rich oilfields in the Middle East during the forties and fifties, the international oil industry (induced by the strategy of the United States to accelerate the economic reconstruction of Western Europe and Japan) adopted a policy of cheap oil based on the application of the classical concepts of cost and physical capacity of production. Although these economic and engineering concepts are still applicable in the pricing of renewable resources, it is now generally agreed, even among economists, that they do not apply to scarce and highly depletable resources such as oil.

The price for the cheap oil policy pursued by the industrially advanced countries during the three decades following World War II was fully paid by the oil-exporting countries in terms of rapid depletion of their most important resource base without the gain of the capital or the expertise needed for the development and diversification of their economies. On the other hand, the industrially advanced countries reaped the full benefit of their cheap oil policy through rapid economic development and the conservation of their coal resources. In a way, this aspect of

the relationship between oil exporting and importing countries illustrates the concept of "one man's loss is another man's gain" as applied on an international scale. Yet, when viewed against more general and global dimensions, the cheap oil policy has presented serious losses to the world at large in terms of the wasteful use of essential, but depletable hydrocarbons, excessive delays in the search for new sources of energy and prolonged stagnation in the economic development of the oil-exporting countries, whose economies were and still are heavily dependent on the export of crude oil. Even the oil-importing countries, notwithstanding their great gains from cheap oil, have nonetheless sustained some losses in terms of their present heavy dependence on the import of oil and gas.

The heavy world dependence on oil and gas for energy and industrial use places the OPEC member countries in a very difficult yet responsible position in world affairs. They are faced with pressing domestic problems, some of which were either created or are aggravated by the predominance of oil in their economies. At the same time they have to conduct their external relations with the oil consumers, who constitute the most powerful economic and political bloc the world has ever known. I feel this fact of life is often forgotten or minimised by most, if not all, Western specialists and commentators in their treatment of present-day relationships between oil producers and consumers. They generally exaggerate the gains of oil-exporting countries and erroneously attribute cartel features to OPEC. At the same time they tend to present the powerful, industrialised oil consumers as poor victims of the manipulation of this "cartel". Time does not permit me to show the fallacy of their argument, but I have full confidence that this well-informed and distinguished audience is fully aware of the realities of contemporary economic and political affairs.

The Place of Islamic Countries

The dominant place of Islamic countries as suppliers of oil is well-illustrated in Mr Hilal's presentation. Eleven out of thirteen members of OPEC are Islamic countries and they supply about 70% of world oil exports and possess more than two-thirds of its proven reserves. At the same time, however, their poor state of internal development reduces their average per capita energy consumption to only one-tenth of that of Western Europe or Japan and to less than 4% of that of the United States. Now, if we take these figures and combine them with the development objectives of the oil-exporting countries and the rapid rate of their population growth, then what are the policy implications for their domestic energy requirements, individually and as a group? What are the policy

options that can guide their planning in terms of present versus future priorities and needs? To what extent can they cope with these options within their individual means as compared with their collective regional cooperation and joint action?

In discussing the future aspects of oil resources, Mr Hilal rightly places emphasis on the impending shortage of oil that will develop around 1985 and he also stresses the urgent need for conservation. In this respect, all the recent authoritative forecasts agree with his emphasis. But it is not clear what demand-supply situation would prevail between now and 1985. In some significant ways there are signs that an oil glut may develop due to excessive oil production in OPEC countries and determined conservation measures in the main consuming countries. The implications of such a development for the oil-exporting countries would be further depressed oil prices and a rapid accumulation of strategic stockpiles in the oil-importing countries. The drive for the development of alternative sources of energy may also be seriously affected by such a development. In this connection I agree with Mr Hilal when he expresses some doubts regarding the seriousness and effectiveness of recent programmes announced by the oil-importing countries.

Scarcity and Conservation

All this points to the urgent need for the oil-exporting countries to balance their production programmes with the actual and essential needs of world consumption at competitive prices based on the replacement costs of alternative sources of energy and taking into account the unique advantages of hydrocarbons. The pursuance of such a policy would automatically lead to greater stress on conservation, a subject strongly advocated by Mr Hilal in his paper. In this connection it is significant to recall that the oil-exporting countries provided the strongest incentive for conservation of scarce resources when they managed to adjust the price of oil towards the end of 1973. Without that action the world would today be wasting several millions more barrels of oil per day and missing the opportunities for the development of alternative sources of energy. The adjustment of oil prices also contributed greatly to the conservation and economic utilisation of natural gas as well as enhanced exploration, recovery and discovery of hydrocarbons.

All this substantiates the conclusion stated in a recent report of the workshop on Alternative Energy Strategies sponsored by MIT. In the chapter dealing with energy demand and conservation, the report concludes that "Energy conservation is generally not limited by technology, but is limited by economic factors. For example, consumer preferences for home insulation and more efficient automobiles and appliances are

influenced by energy prices, and not by technology. Even heat pumps involve relatively simple and known technologies. This is a significant advantage in view of the technical and economic uncertainties surrounding many energy options".¹

As for global energy prospects during the period from 1985 to the end of this century, there is wide agreement that the process of transition from oil to coal and nuclear power will accelerate and hopefully lead to the era of unconventional sources of energy such as solar, wind and tidal waves as well as synthetic fuels from oil sands, oil shale and biomass. But the question is what factors will promote this kind of transition, and what is the role of the oil-exporting countries in this historic process? Will they again pay the price of transition from oil to other sources of energy, as they did when the energy transition process was reversed in the years following World War II? Or will they be able this time to formulate their own energy policies in such a way as to play an effective role in global energy strategies?

So far, national and global energy programmes and forecasts announced by the major oil-importing countries have proceeded on certain policy assumptions regarding their own economic growth and national objectives. Within these objectives the decision-making power is assigned to their national authorities and business enterprises. The response of the oil-exporting countries, as well as that of the less-developed countries in general, is expected to follow a certain predictable pattern, always consistent with the objectives of the major oil-importing countries. In other words, they are given a peripheral place in the decision-making circles of energy strategies. Yet it is common knowledge that several member countries of OPEC are collectively producing more than ten million barrels a day in excess of their normal requirements for domestic consumption and investment. This amounts to almost one-third of OPEC production and about 40% of the 1975 net imports of OECD countries.

A good question for discussion is what would happen to the energy market if these countries in particular and other members of OPEC in general adopt production policies strictly based on the essential needs of their healthy economic and social development as well as the obvious necessity of conserving the use of their most important natural resource. Using the time-honoured criterion of enlightened national self-interest, is it reasonable to expect these countries to continue exploiting indefinitely their scarce resources in spite of the great risks involved in protecting the value of their foreign investment and the declining reserve-production ratios of their oilfields? To assume that this will happen is to conclude that the oil-exporting countries will bear the full burden of the transition from oil to other sources of energy, in terms of depleting their

oil resources and wasting much of their financial savings in the turbulent currents of world money and capital markets. Worst of all, perhaps, is the prospect that the oil-exporting countries may be in danger of facing the next century with no oil, and no alternative sources of energy.

Fortunately, there is an increasing awareness of these dangers and it is hoped that the oil-exporting countries will soon be able to formulate medium and long-term energy and development policies based on their enlightened common interests during the transitional period from oil to other sources of energy.

In discussing oil conservation, it is interesting to note that it is mainly the Islamic countries who are called upon to over-exploit their limited natural resources for the prosperity of the industrially advanced countries. Some of the latter group of countries with oil resources, such as Norway, the United Kingdom, the United States and Canada, are now following strict conservation policies in the exploitation of their old and new fields. Yet it is within the advanced countries that we find the greatest concentration of other sources of energy, in addition to their almost total monopoly of the technology of new energy sources. They seem determined to keep these resources for themselves, except under special circumstances and strict conditions.

The Energy Needs of Developing Countries

In his presentation, Mr Hilal made a valid distinction between the energy needs of developed and developing countries. While developed countries can reduce their consumption of oil through conservation measures and the use of coal and nuclear power as transitional fuels, developing countries have no such options in their energy requirements. Yet they need economic growth rates of at least seven per cent per annum. Many OPEC countries are aiming at higher growth rates. If they follow regional cooperation and effective development policies such growth rates may be attainable. But as the energy co-efficient for these countries is much greater than one, their energy requirements will grow at rates faster than the speed of their economic and social development. In addition, there would naturally be a rapid transition from non-commercial energy (firewood) to commercial sources as economic and social development proceeds.

These facts have wide policy implications for the developing countries, including OPEC members. Their development and energy needs are highly dependent upon cooperation among themselves and are interrelated with the foreign policies of the industrially advanced countries. This is why they had placed high hopes on the Conference on International Economic Cooperation (CIEC) whose outcome has

unfortunately fallen far short of approaching their hopes and expectations. However, it is hoped that some degree of solidarity of the developing countries will remain to continue the search for a more reasonable world economic order based on equality of opportunities among nations and individuals.

Egypt's Oil Achievements and Potential

I will now turn to the concluding part of Mr Hilal's paper where he refers to the recent achievements of Egypt in exploring and developing its oil potential, including its Abu Rudeis oilfields which had been usurped and excessively exploited by Israel for more than ten years.

The recent intensification of the search for oil as well as the rapid development of the technical and managerial skills in the oil sector in Egypt have been truly impressive. I am confident that under the dynamic and optimistic leadership of Mr Hilal, the Egyptian oil industry will make increasing contributions to the development of the country. I am even more certain that greater achievements can be realised through regional cooperation between Egypt and other Islamic countries, members of OPEC and OAPEC. Joint efforts for recovery of more hydrocarbons and the discovery of new fields, more downstream investments in the oil sector and the development of alternative sources of energy are only some of the fields in which regional cooperation among OPEC and OAPEC member countries would greatly enhance economic development. Moreover, such efforts are essential for the protection of their mutual interests in their relations with the industrially advanced countries. Indeed, the foundation of what the developing countries seek in the so-called new international economic order must rest on the solidarity of their regional cooperation, among themselves. Given this kind of solidarity, the Islamic countries have great and varied resources for their collective growth and development. Without that solidarity none of them, including the more fortunate countries, can achieve much in a world controlled by power blocs, with strong vested interests on all frontiers of modern life.

What the Muslim world needs most is not more physical resources but, rather, greater confidence in its faith, traditions and institutions. Conferences such as this one can obviously help to generate interest and promote discussions in this direction.

18 Development Strategy for the Muslim World

Ehsan Rashid

We are here concerned with the problems of the Muslim world which has been to a very large extent the victim of hostile historical forces such as colonialism and imperialism which has led to alienation and identity crisis in this particular part of the world. However, it is not just this experience which distinguishes the Muslim world from any other part of the less developed world; it is not even the economic characteristics of the Muslim world which primarily attract our attention (although it is true that some of the countries of the Muslim world do have economic problems more acute and perhaps more complex than in lesser developed countries). It is above all the non-economic characteristics of the Muslim world which make it distinct from others. In brief, the characteristic of being Muslim.

This is manifest in the particular Muslim world outlook, in the conduct of day-to-day business of life in any hamlet, settlement, or city of Muslims. This outlook, better described as a faith, demands from a Muslim that he conceive the whole of mankind as a family and look upon himself as one member of this family. It also demands that he should treat the resources of the planet as the property of mankind as a whole. This implies that resources should be efficiently utilised for the betterment of humanity as a whole and in case it cannot be done then a Muslim should refrain from participating in such a system. Furthermore, this particular outlook implies that a Muslim should believe in peace and in the principle of co-existence and that he should work towards the attainment of peace and tranquillity both in the life of individuals and groups. Most importantly, however, this particular outlook demands that Muslims should strive for the establishment of justice in human society.

The Holy Qur'an says,

*"We sent aforetime our apostles with clear signs and sent down with them the book and the balance (of right and wrong), that men may stand forth in justice."**

* (Al-Qur'an LVII:25)

It is this concept of justice which provides the key to the goal of economic development for the Muslim world. All aspects of human life – moral, legal, economic, political, and social – must lead to attainment of a just society.

The struggle to attain justice has been manifest throughout Muslim history. It was the motivating force behind the struggle against the imperialistic powers who had enslaved the Muslim world. After independence the Muslim countries in the process of establishing their institutions have attempted to make further progress towards the attainment of this goal. Today, the *Ummah* stands aligned with the rest of the Third World in attempting to forge a just international economic order. In the North-South Dialogue, we have attempted throughout to demonstrate to the advanced industrialised countries of the world that the existing economic relationship between them and the Third World is characterised by inequities in the exchange of goods and services and of ideas.

We stand committed to this goal of achieving a socially just international economic order while attempting to establish simultaneously, to the greatest possible extent, working models of social justice within our respective countries by eliminating the forces of exploitation. Setting goals in economic development is perhaps not as difficult as theoretical and analytical exploring of the possibilities of such a development. The crucial task is to inform ourselves about the transition from possibilities to practical relations among Muslim peoples. We should attempt to relate this transition to a true Islamic ethos in economic terms. It will necessarily involve a recognition and characterisation of the conditions necessary for applying the principles of development to concrete situations both in Muslim countries and the wider world. Basically, our world view will emerge through a clear recognition of our needs and our rights. In fact, the materialisation of development possibilities in the Muslim world is directly linked with the realisation of the aspirations of Muslims in the light of their perception of an Islamic order.

Political emancipation of the Muslim world *per se* signifies nothing. If political emancipation does not lead to the advent of an Islamic system in Muslim countries it will cause frustration. Political emancipation must be viewed as an elementary condition of building up the wherewithal necessary for the implementation of a real, positive socio-economic order having a distinct Islamic hallmark. Our discussions should focus on the delineation of the practical consequences of the operation of our faith in the form of a specific socio-economic system. In other words, we need to help in the evolution of an overall directive policy rooted in an interdisciplinary approach. The concept of development itself has interdisciplinary overtones. Once we agree on a concrete Islamic framework,

experts from different disciplines can get together to present an integrated theory of development. For instance, in the absence of a generally agreed constitutional framework, it will be difficult to indicate the nature of primary thinking concerning, say, economic matters. Agencies such as planning boards or commissions do not operate in a vacuum. The initiation of a proposal and its subsequent affirmation and implementation presuppose the constitutional structure of the state. The articulation of social conscience in economic planning involves the nature and form of the political set-up. If this is so, it calls for the setting-up of an experts group to produce a constitutional document which may guide the Muslim countries in the formulation of policies intended to develop their respective constitutional arrangements according to the tenets and spirit of Islam.

A matter of immediate concern is to assist in the promotion of a meaningful dialogue between the so-called orthodox and the modernist elements in the Muslim world. Since the challenges that we face are so stupendous, the two groups must be helped to come together to produce working papers which will at least improve the quality of dissent. Dissent by itself is not objectionable, but the dissenting parties should be mindful of their responsibilities to promote an authentic understanding of the problems. Exchange of reproach must be replaced by exchange of ideas. The formation of a select group of experts for this purpose can no longer be postponed. Alienation within the Muslim world must be checked and a process of self-discovery be introduced without further loss of time. The debate can be made more productive by the creative participation of all the members of the *Ummah* through the institution of a continuous debate wherein the truly informed are continuously engaged in the resolution of difficult and controversial issues.

I will not attempt to offer any formal statement about a general economic strategy for the Muslim world but will confine myself to highlighting a key factor, namely the human factor, and the possibility of activating it in a fashion whereby the available human talent in the Muslim world is helped to contribute its best in the process of economic development.

The economic concepts of production, consumption and distribution and their analytical definitions are strongly linked with the key factor of labour or manpower. Economic action or activity whether voluntary, conscious or directed, is concerned with the maximisation of the contribution and the reward of this factor. The current trend is to accord the highest consideration to this factor inasmuch as it is both the prime mover as well as the prime receiver in the system. Its role as the prime mover involves the development of science and technology, and its behaviour as prime

receiver is associated with the concepts of egalitarianism or social justice. Both roles imply the building up and utilisation of capacities latent in the human numbers.

The best economic strategy should, therefore, concentrate on maximising this twin role of the human factor. Some people have characterised it as a process of "potentialisation". Potentialisation is realisable when the quality of the most important input in the economic system, namely the cerebral input, is maximised. Potentialisation can be made more graphic if it is explained in terms of a learning curve for a people. The learning process is sometimes understood in terms of the educational development of a people. But in the present context it has a wider connotation because it includes learning by doing. I will not explain it with the help of theory but will demonstrate it with an example. What is being at present attempted in the Peoples' Republic of China, the scale and the dimension of which is unique in the history of mankind, when the entire people are persuaded to engage themselves in the creative endeavour to maximise their latent capacities in accordance with normatively determined rational priorities. In the distant past, in several societies, knowledge was certainly disseminated. Even in the recent past, in the West, the focus remains on the dissemination of knowledge through the formal institutionalisation of education. In the case of China, it has meant much more. Knowledge is not only being imparted to people but they are persuaded to practise knowledge. To them knowledge is not a mysterious "black box" but has become a problem-solving procedure. What is truly unique about it is that knowledge has become an integral part of the total political process. The breakthroughs in science and practical innovations are being rapidly transmitted and applied throughout the national system. The Muslim world will do well to learn from the Chinese experience and adapt it to its own conditions.

The Chinese experiment has originated from the particular ethos of Chinese culture and society. Our experiment must originate from the ethos of Islamic civilisation and culture. Any attempt to duplicate the Chinese experiment in an Islamic context may not succeed. My plea is for an approach which may be in keeping with the great tradition initiated by our Prophet (may peace be upon him) who transformed a tribal society and made it the envy of the civilised world. It is the task of planners and policy-makers in the Muslim world to rediscover this great heritage and turn it into a movement so that it may serve as a beacon light both to the developing and the developed world.

We must assign the greatest weight both in terms of value judgement and resource allocation to the activation and sustenance of the human factor in national development plans. It must receive the highest place on the agenda of the economic reconstruction of the Muslim world. Our

economic strategy must focus, therefore, on the cherished ideals of the Islamic society where the highest value is accorded to knowledge (*ilm*) and piety (*taqwah*). A society in which *ilm* and *taqwah* reign supreme shall always be the most sane and humane society. Viewed in this context, the ideal Islamic society becomes a model human society. Knowledge ensures the best use of resources, and piety guarantees a compassionate society. The challenge that we face thus becomes a challenge for the whole of mankind.

In the light of the above, may I propose the formation of a preparatory committee for setting up an International Islamic Educational Foundation to activate and bring together academics, intellectuals and policy-makers for the purpose of devising a strategy for the maximisation of human talent throughout the Muslim world.

I have a feeling that the size and quality of analysis of the Islamic economic system has so far been modest. Perhaps the best way of upgrading it in the shortest possible time would be to promote theme-bound participatory research. This kind of effort is to proceed by preliminary investigation by an expert committee which may prepare detailed guidelines for the formulation of projects. Farming out research to universities and research institutions in the Muslim world would be an extension of the process.

Also, with the objective of bringing about optimal utilisation of scarce skills within the Muslim world, a central talent pool may be created to make an inventory of the availability of people in different professions and to arrange for their placement in priority jobs. In addition, manpower planning may have to be pursued for the Muslim world as a whole to identify and remedy shortages in critical skills.

Finally, I would like to share my concern about a matter which calls for a frank exchange of views. Should we or should we not include the possibility of non-Muslim economists contributing towards the development of scientific literature on Islamic economics? In other words, should we have an insular or an open approach in the matter? The experience of the development of scientific literature pertaining to any school of thought shows that sometimes significant positive contributions have been made by those not belonging to that particular school. My personal view is that we should also encourage the growth of positive scientific curiosity of non-Muslim academics and intellectuals. Our abiding faith in the eternal validity of the principles of Islam must preclude the possibility of developing a "ghetto" mentality. We must be imbued with a spirit to face various challenges openly and fearlessly. Is this not the message of Islam?

19 International Trade Patterns of the Muslim Countries

Monzer Kahf

Introduction

This study deals with the patterns of international trade of Muslim countries and their bearing on the development of these countries. It deals with 55 Muslim countries of Asia and Africa with some reference also to Albania, the only European Muslim country. Unfortunately, however, on Albania very little dependable published information is available. The total area embraced in the scope of this study is 30,608,000 square kilometres.¹

The Muslim countries form the bulk of the underdeveloped part of the world. Therefore, one would expect to find all the aspects of the phenomenon of underdevelopment in these countries. In Mali, for example, the level of per capita domestic product reaches as low as U.S. \$53.00 (current 1970 prices). This is less than one-hundredth of per capita domestic product in the United States. Several Muslim countries have a per capita income below U.S. \$100. Of these mention may be made of Chad, Central African Republic, Gambia, Mali, Niger and Upper Volta in Africa and of Afghanistan, Bangladesh and the Democratic Republic of Yemen in Asia. The population of these two groups of countries is 22 per cent of the total Muslim population. The average per person domestic product of the Muslim countries in Africa is U.S. \$277 and in Asia \$363 as compared to U.S. \$4467 in the European Economic Community and \$6597 in the United States. Even these low figures on the Muslim countries do not tell the whole story for they are inflated by the oil income of the sparsely-populated oil-rich Muslim countries.² Consequently, if we exclude six oil countries with a population of 12.5 million only (1.8 per cent of the total Muslim population), the average per capita domestic product drops for the rest of the Muslim world to U.S. \$255. This is less than 4 per cent of that of the U.S. Excluding these six countries, the highest per capita domestic product in the Muslim world is that of Iran (also an oil country) with a per capita income of US \$945 which is hardly 14 per cent of that in the U.S.³

The low level of income certainly affects the level of living of Muslims in the world. Education is only available to the upper classes (which are usually composed of non-Muslims). Health care and social services are almost non-existent. As a result, the average life expectancy of those born in Guinea is likely to be only 27 years as compared with 71.4 and 71.3 in the EEC and the U.S. respectively. On the average, a newborn baby in the Muslim world can be expected to live 45.6 years, which is only 64 per cent of the life expectancy in Western Europe or in North America.⁴ The Muslim world has the poorest health care facilities in the world. The number of people per physician reaches almost seventy thousand in Ethiopia as compared to only 520 in West Germany and 600 in Canada. The number of hospital beds for every 10,000 population ranges from as low as 1.5 in Bangladesh to as high as 41.5 in Libya as compared to more than 114 in the U.S.S.R. and in West Germany. Furthermore, in the U.S.S.R., U.S.A. and in most of Western Europe, the rate of illiteracy is less than one per cent. By contrast, it reaches close to 80 per cent in the few Muslim countries that have published data, and it certainly exceeds that figure in many other countries that probably lack publishable information on illiteracy.⁵

The most highly recommended prescription for Muslim countries is control of population growth. Yet it is clear from United Nations figures that average density in the Muslim world is only 23 per square kilometre, which is equivalent to the United States and about 13 per cent of the density of the EEC countries. And even though Bangladesh, the country with the highest population density on the globe, is within the Muslim world, it is also true that this world has huge areas of lightly populated land in Asia and Africa. More than one fourth of its 55 countries have population densities of not more than ten persons per square kilometre.⁶

On the other hand, the Muslim world has a tremendous market. Population-wise it has 700 million people which equals more than two and a half times the population of the EEC. This population is spread over an area more than twenty times that of the EEC. Moreover, except for Southeast Asia, the Muslim countries have contiguous borders and common waters. This should enable them to have an efficient and relatively cheap transportation system.

As for the natural resources, the Muslim world has the major portion of the world's oil and gas resources. It produces 60 per cent of the world's tin and 34 per cent of its phosphate. It is well known that, unlike in the developed countries, the land in Muslim countries has not been submitted to extensive survey and search for underground minerals. This has been due to the fact that the survey, to the extent that it was done, was conducted principally to serve the exploitative needs of the colonial

powers and to supplement their requirements. For this reason it is not surprising that the statistics on almost every developing country lacks all information on commercial reserves of coal, iron ore, and other important industrial minerals.

In agriculture, the potential of the Muslim world is vast, especially in East and West Africa and in the south and east of the Mediterranean. The Muslim world at present is a leading producer of cocoa, coffee, natural rubber, roughwood, cotton and rice and in the breeding of sheep, etc.⁷ The diversity of climate in its vast expanse affords an opportunity to grow all kinds of agricultural crops. Indeed, this vastness may enable it to become the agricultural reserve of the entire world!

Trade Patterns of the Muslim Countries

This section is devoted to the study of the commodity structure of exports and imports of the Muslim countries and their international economic relations as reflected in the balance of trade. It will be shown that the commodity structure and the trade partners of the Muslim countries are not expressive of Muslim peoples' aspirations for unity and integration. Nor, indeed, do they correspond to their developmental needs or to the requirements of their new independence.

1. The point which strikes the economist who studies the export-import commodity matrices of the world is the absence of the Muslim countries from the international market. Among the major twenty importing and the major twenty exporting countries, one can hardly find any Muslim country in the markets of commodities which are most heavily traded. This is true except in respect to the few commodities shown in Table V. This absence of Muslims from the list of major international traders is more noteworthy because of the high trade integration index of the Muslim countries vis-à-vis the rest of the world. (See Table VII.) This amounts to saying that even though the Muslim countries are highly dependent on the international market, each of them singly and in some cases all of them collectively, have, in respect of numerous communities, no or little influence on the market. This is an extremely unsatisfactory situation for it means that unless these countries use their collective bargaining power and make a proper use of their areas of influence in the international market, the terms of trade will continue to move against them and they will be paying the highest share of the cost of international inflation.

2. In the export market, of the 174 commodities on which quantitative data is made available by the U.N., the Muslim world has a share in excess of 5 per cent of the international market in only 23 commodities.

Compared to the ratio of the Muslim population in the world, 17.8 per cent, the Muslim countries have a balanced share in the export market in only 12 commodities. The Muslim world is almost the sole exporter of four commodities, namely, crude oil, crude fertilisers, tin and jute with a share respectively of 87.2, 76.94, 60.95 and 59.41 per cent. The Muslim world is the leading exporter in the international market of six of the commodities, with its share of 45.01 per cent in rough wood, 40.83 in milled wheat and flour, 38.48 in rubber, 38.30 in cotton, 35.95 in petroleum chemicals and 35.61 in cocoa.

3. In the import market, the Muslim countries are among the major twenty importers in respect to only 22 commodities. These countries import 34.48 per cent of the internationally traded milled wheat and flour and 31.75 of the traded rice. They are also a major importer of tea and maté (18.94 per cent), fixed vegetable oil (16.24 per cent), wheat (15.88 per cent), and jute (11.69 per cent). These figures should not be interpreted as indicative of the Muslim world's dependence in food on the rest of the world, for in some of these commodities the Muslim countries have a high export share too. For example, in the case of milled wheat and flour the Muslim world is in fact a net exporter of 6.35 per cent of the total international market but in rice it is a net importer of only 14.96 per cent of the market. On the other hand, the Muslim world is a net importer of 15.86 per cent of the internationally traded wheat and 8.06 per cent of tea and maté.

4. The commodity composition of the external trade of the Muslim countries is simply shocking. Of the 43 Muslim countries whose balance of trade is published in the U.N. *Statistical Yearbook of International Trade*, 27 export crude oil, and other raw materials in the ratio of 48 per cent or more of their total exports (see Table VI). Eleven of these countries are members of the oil-exporting club.⁸ They depend on crude oil for 75 to 100 per cent of their foreign exchange revenues. The other 16 countries also depend on the export of one or two raw materials such as Morocco and Mauritania (on phosphate), Malaysia (on tin and rubber) and Sierra Leone (on diamonds), etc. Furthermore, only three Muslim countries, namely, Lebanon, Macao and Somalia, export raw materials at a rate of less than 10 per cent of their total export. Of these three countries, Somalia depends on the exportation of unprocessed food instead of raw materials for 91 per cent of its total exports. For the developed countries, the share of raw materials to their total exports ranges between 2 to 13 per cent with the exception that the Soviet Union has a share of 45 per cent as shown in Table VI.

On the other hand, only one Muslim country, Bahrain, imports crude oil at a rate of more than 50 per cent of its total imports. Next in this category is the Democratic Republic of Yemen where the ratio of oil

imports to its total imports is 44 per cent. These are the only two Muslim countries which have oil refineries with a capacity for export. For the rest of the Muslim countries shown in Table VI, the importation of raw materials decreases to less than 25 per cent of the total imports. It may be pointed out here that, for most of these countries, imported oil is responsible for the two digit ratio of raw material imports.⁹ The ratio of raw materials to total imports for the Muslim countries that do not import oil ranges between one per cent (in Qatar) to 12 per cent (in Cameroon). By contrast, these ratios reverse in respect to the developed countries. Relatively speaking, the Soviet Union is the smallest importer of raw materials which represent only 8 per cent of its total imports. For the other developed countries mentioned in Table VI, the share of raw materials in their imports rises from 26 to as high as 61 per cent.

This picture of the Muslim countries' international trade becomes more gloomy if we look at the place consumer manufactured goods occupy in their imports and exports. This is because in many cases the raw materials exported by them are manufactured by the importers and sold back to them as manufactured goods. Thus, for instance, it might be recalled here that Arab oil is refined in Amsterdam, Indonesian and Malaysian rubber is manufactured in its finished form in France, Germany, Japan and the United States, and Indonesian and Malaysian wood is processed and shaped in Italy and Japan. Consumer manufactures represent 40 per cent of the imports of 22 of the 43 Muslim countries in Table VI. This, of course, does not include cans imported for private use and household appliances. Under the U.N. classification, these two items appear in the category of machinery and transportation. The other 21 Muslim countries import consumer manufactures in the ratio of 24 to 39 per cent of their total imports. What is more unfortunate is that all Muslim countries except Macao import far more consumer manufactures than they export. Macao is the only country whose exports of this group of goods exceeds its imports by 41 per cent. Pakistan, in a sense, may be said to be second because its imports of consumer manufactures are only 6 per cent more than its exports.

The large margin of imports over exports increases very significantly in the category of machinery and transport. Machinery and transport constitute 5 per cent or less of the exports of the 43 Muslim countries, Lebanon being the only one in which this category reaches 25 per cent of its total exports. On the other hand, the ratio of machinery and transportation to total imports is more than 30 per cent in 18 Muslim countries, it is between 20 and 29 per cent in 15, and below 20 per cent in the remaining 10 Muslim countries. In fact, machinery and transport as a category of internationally traded commodities is not a very useful indicator of the structure of international trade with reference to

development because, as an aggregate, it makes no distinction between vehicles for private use and vehicles for commercial, industrial or for public transportation use. Nor does this category distinguish between home appliances and factory machinery. But this distinction is essential in the Muslim countries because development is the most important issue and it can, to a great extent, be measured in terms of the increase of machinery in industry and agriculture.

Food imports and exports are significant for most Muslim countries. As for imports, among the Table VI Muslim countries, Egypt and Yemen, for a good part of their domestic consumption, depend on imported food. Food imports constitute 43 per cent of Egypt's total imports and 51 per cent of that of Yemen's. A classification of the Muslim countries in terms of percentage relationship between food import and total imports is given below:

In two countries food imports are above 40 per cent of their total imports.

In two other countries food imports are from 30 to 40 per cent of their total imports.

In 20 countries food imports are from 20 to 30 per cent of their total imports.

In 18 countries food imports are from 10 to 20 per cent of their imports.

In one country food imports are below 10 per cent of its total imports.

Of the 43 countries under study, 31 have imported more food than they have exported and only 12 exported more than they imported. In general, Muslim countries' food imports exceed their food exports by about 47 per cent.

5. The international trade relations of Muslim countries may be analysed with reference to their trade partners, that is, countries with which they exchange goods. Before doing so, however, it will be well to keep the following two points in mind:

a. The impact on the world economy of international exchange of manpower between the Muslim world and other countries deserves greater research, especially in respect to the talent exchange between the Muslim countries and the free-enterprise developed countries in Western Europe and in North America. While, for instance, Iran, Saudi Arabia, the United Arab Emirates and other rapidly developing oil countries import talents from Europe and the United States, other countries such as Egypt, Iraq, Pakistan, Syria and Turkey lose perhaps as many talented Muslims to the West. Furthermore, even unskilled labour of the developing countries such as Algeria, Morocco, Tunisia, Turkey and Yemen is fleeing to the West at the time when it is much needed in other Muslim countries such as Saudi Arabia, the United Arab Emirates and Qatar. However, the question of exchange of services falls beyond

the scope of this study.

b. Several Muslim countries seem not to have adopted long-range strategies for their international trade relations. A glance at the historical development of these relations would reveal that the co-efficient of political influence over their economic relations is very high. For example, a longer and far more costly pipeline is being constructed now from Iraq to the Mediterranean via Turkey because of the current strain in the political relations between Iraq and Syria and for the same reason the Kirkuk-Banias pipeline has been rendered idle since April 1975.¹⁰

The determining factor in the choice of trade partners of Muslim countries has been the commercial ties forged during the period of the West's colonial domination over them. This factor has weakened in a few cases and, for political reasons, some Muslim countries have diverted their trade to certain central-planning countries.

For all these reasons, it can now be said that trade relations among Muslim countries, at present, are minimal and not far-reaching economically. As Table VII shows, only six Muslim countries, that is, Iraq, Jordan, Lebanon, Mali, Qatar and Somalia import more than half of their goods from the markets of other Muslim countries. By contrast, only two countries, namely, Bahrain and Democratic Republic of Yemen export more than half of their exchanged products to other Muslim countries. The following table summarises columns 8 and 9 of Table VII:

Percentage of total Imports/ Exports of individual Muslim countries with other Muslim countries	No. of countries	
	exporters	importers
more than 50%	6	2
40-49%	2	0
30-39%	2	1
20-29%	5	8
10-19%	8	18
less than 10%	21	15
Total from Table VII	44	44

Source: United Kingdom Department of Energy

One half of the Muslim countries under study export less than 10 per cent within the Muslim world and about one-third of them import less than 10 per cent from it.

6. Commodity-wise, the import-export statistics published by the United Nations show that the choice of trade-partners among Muslim

countries for many exchanged foods does not show any indication or preference towards Islamicising the trade relations among them even though such Islamicisation might, because of the distance factor, reduce the cost of transportation. The following examples suggest that there are several directions which a diversion of trade relations among Muslim countries may be aimed at:

a. The main importers of Turkey's livestock are Italy and France, and the main importer of Indonesia's is France. Libya and Saudi Arabia, on the other hand, fulfil their livestock needs from Australia, Canada, France, Germany, Ireland and the Netherlands.

b. Lebanon and Turkey export butter to Belgium, United Kingdom and other countries in Western Europe. Iran, Pakistan, Malaysia and Syria, on the other hand, obtain their imported butter from Western Europe.

c. Ivory Coast imports fresh fish from Japan and Canada while Indonesia and Malaysia export to non-Muslim countries.

d. Algeria, Egypt and Malaysia import tobacco from Colombia, Greece, India, the Philippines and the U.S. while Turkey and Indonesia are major exporters of tobacco and they send theirs to the U.S. and Western Europe.

e. Algeria exports its natural gas to France and France exports natural gas to Morocco.

f. Egypt is the world's tenth major exporter of textile yarn and thread but Algeria, Indonesia and Iran get all their supply of yarn and thread from Western Europe.¹¹

7. The trade integration index is sometimes used to show the level of interdependence of an economy on international trade. This index is defined as the total of imports and exports of a country divided by its national income.¹²

It can be calculated for one single country or a group of countries and it can only have meaning in a comparative context.

Column 6 of Table VII gives the Trade Integration Index (TII) of each Muslim country with respect to the rest of the world and column 7 gives the TII with respect to all the Muslim countries. At the end of Table VII, the TII is shown for a few non-Muslim countries. The distribution of the TII of the Muslim countries with respect to the rest of the world ranges between 11.82 (Bahrain) and 0.12 (Afghanistan) with a median of 0.675. This compares with 0.16 for the U.S., 0.29 for Japan, 0.45 for France, 0.48 for West Germany, and 0.56 for the U.K. But a higher TII taken alone is not so serious because it depends on many factors such as the size of the economy, its structure, the historical development of its international trade, its level of development, etc. Consequently, low TIIs in Afghanistan, Yemen and Guinea are basically indicators of the closed

and least developed economies among the Muslim countries, whereas a high TII in Bahrain reflects a lack of data (National Income data available for 1970) and the size of the economy inasmuch as it reflects its growing role as a commercial centre in that area of the world. Nevertheless the high TII for the majority of the Muslim countries is undoubtedly a sign of their dependability on the international market.

The trade integration index of each Muslim country with respect to the rest of the Muslim countries is very low. Not including Bahrain, it reaches a maximum of 0.94 (Democratic Yemen) and a minimum of 0.01 (Algeria, Central Africa Republic, Nigeria, and Afghanistan). The median is 0.09 and for 30 Muslim countries it does not exceed 0.12. Such a low TII is certainly an indicator of the very low level of international trade relationships among the Muslim countries.

Conclusions

This study shows that the Muslim world lives within the vicious circle of poverty, underdevelopment and dependence on international trade. The potential of the Muslim world is great in terms of population, area, location, climate, and natural resource. To these can be added the enormous financial facility which became evident after the 1973 revolution that liberated oil resources. Moreover, oil liberation enables the Muslim countries to play an important role in speeding the development and the economic freedom of the whole Third World. Neither the commodity structure of the external trade of the Muslim countries nor their trade relations reflect any urge for cooperation among the Muslim countries.

Islam and Islamic traditions have created, over a period of several hundred years, some sort of similarity in the consumption patterns and habits of the Muslim population in all the Muslim countries, especially those that are quite near to each other. The realisation of the importance of development and the resemblance of the economic structures, especially in international trade and development needs, enriches and strengthens their similarity.

Similarity in consumption and demand is one of the basic factors that enhances international trade among countries. Since dissimilarities tend to increase the risk and uncertainty involved in international trade, to amplify the importance of price and market information, and to intensify the difficulties of communication, some economists attribute the success and survival of the EEC, in part, to the similarity in the consumption behaviour of its member countries.

Additionally, it has become an undisputed premise in development theory that a larger market is a prerequisite for the stimulation of investment and "no developing country has a domestic market for

manufactured goods as large as that of The Netherlands, Sweden, or Belgium, among the smallest developed countries, which have entered into integration schemes in order to escape the limitations imposed by their national markets."¹³ This point applies also to the Muslim countries which constitute the large bulk of the developing countries.

It is true that the lines of transportation in the Muslim countries were established in such a way as to serve the purpose of keeping the trade ties with the developed countries, the colonial powers of yesterday, intact. Therefore, all transportation lines in the Muslim world connect the rich areas of natural resources to coastal ports of shipping rather than connecting them to trade of the neighbouring Muslim countries. Consequently, any attempt to integrate these countries is hindered by their poor transportation system. But since the geographical distance is incomparably shorter between these countries than between them and their partners inherited from the colonial era, the advantages in terms of transportation cost will, in the long run, exceed the short-run disadvantages of diversion.

A scheme to encourage the economic cooperation and coordination among the Muslim countries should be worked out on the macro-level as well as the micro-level. On the governmental level, an Islamic treaty, similar to *Hilf al-Fudul*,¹⁴ must be worked out among the Muslim countries whereby political differences could be kept from burdening the trade relations, and inter-Muslim countries' trade would not be used as a means of pressure to achieve political targets. A series of economic cooperation conferences among the officials of trade and economic planning in the Muslim countries should be undertaken for the ultimate purpose of establishing solid grounds for trade preferences serving the inter-Muslim countries' trade and for the coordination of their development policies in their relations with inter-Muslim countries' trade. Multilateral and bilateral trade agreements between Muslim countries must be sought. Improving the transportation system among the Muslim countries on land, sea, and air is as necessary as the granting of international guarantees for inter-Muslim investment. Lastly, the establishment of a permanent inter-Muslim countries trade fair and exhibitions of industry and agriculture is required. An ultimate goal of establishing an Islamic common market must always be kept in mind.

On the micro-level, the establishment of a union of chambers of commerce of the Muslim countries is among the first priorities. Along with it there should be some means for disseminating trade information among the Muslim countries. A periodical directory, a trade magazine, and an intra-Muslim trade information bank should also be established.

TABLE I

List of the Muslim Countries

In order to define a country as a Muslim country more than one criterion was applied:

- The distribution of population according to their religion as published by the Muslim Students' Association; *The Muslim Population of the World*, 1969, USA.
- Countries whose majority are Muslims are included although the government may not be in the hands of Muslims.
- Muslim Countries whose economies are integral parts of other countries are not included. This applies to some Muslim Asian countries like Turkistan, Sinkiang, Kashmir, and others.

Based on these criteria the Muslim Countries are:

In Africa: Algeria, Chad, Central African Republic, Comoros, Dahomey (Benin), Djibouti, Guinea, Ethiopia, Gabon, Gambia, Ivory Coast, Libya, Madagascar, Mali, Mauritania, Morocco, Niger, Nigeria, Senegal, Seychelles, Sierra Leone, Somalia, Sudan, Togo, Tunisia, Uganda, Cameroon, Tanzania, and Upper Volta. Total number 29 countries.

In Asia: Afghanistan, Bahrain, Bangladesh, Brunei, Federal Republic of Cyprus, Indonesia, Iran, Iraq, Jordan, Kuwait, Lebanon, Macao, Malaysia, Maldives, Oman, Pakistan, Palestine, Timor, Qatar, Saudi Arabia, Syria, United Arab Emirates, Arab Republic of Yemen, and Democratic Republic of Yemen. Total number 24 countries.

One country overlapping between Asia and Africa: Egypt, and one country overlapping between Asia and Europe: Turkey.

The total number of Muslim countries is 55.

TABLE II

Population, rate of growth of population, surface area, density, life expectancy, and per capita gross domestic product in US dollars for the Muslim Countries with a comparison with the United States, the Union of Socialist Soviet Republics and the European Economic Community.

Source's Page No.	Population (000,000) 67-73	Population Growth Rate 67-73	Area (000) Km ² 67-73	Density 67-73	Life Expect. 79-83	Per Capita GDP 700-703
IN AFRICA						
Algeria	16.3	3.2	2,382	7	50.7	477 (73)
Chad	4.0	2.1	1,284	3	32.0	74 (70)
Central African Republic	2.7	2.5	623	4	34.5	97 (70)
Comoro	0.3	2.0	2	135	—	81 (70)
Dahomey (Benin)	3.0	3.1	113	27	38.5	83 (70)
Egypt	36.4	2.2	1,001	36	52.7	260 (73)
Guinea	4.3	2.4	246	18	27.0	82 (70)
Ethiopia	27.2	2.6	1,222	22	38.5	98
Afars & Issas	0.1	2.3	22	5	—	—
Gabon	0.5	1.0	268	2	35.0	840 (72)
Gambia	0.5	2.5	11	45	41.0	100 (70)
Ivory Coast	4.8	2.5	322	15	41.0	555 (73)
Libya	2.3	4.2	1,760	1	52.1	5,236
Madagascar	6.8	—	587	12	37.9	150 (72)
Mali	5.6	2.5	1,240	4	37.2	53 (70)
Mauritania	1.3	2.7	1,031	1	41.0	232 (73)
Morocco (incl. Sahara)	17.0	2.5	733	23	50.5	362
Niger	4.5	2.7	1,267	4	41.0	90 (70)
Nigeria	61.3	2.7	924	66	36.9	227 (73)
Senegal	4.3	2.4	196	22	41.0	253 (72)
Seychelles	0.1	2.8	—	209	64.9	—
Sierra Leone	2.7	1.5	72	38	41.0	218 (73)
Somalia	3.1	2.6	638	5	38.5	89 (70)

TABLE II continued

Source's Page No.	Population (000,000) 67-73	Population Growth Rate 67-73	Area (000) Km ² 67-73	Density 67-73	Life Expect. 79-83	Per Capita GDP 700-703
Sudan	17.3	2.5	2,506	7	47.6	117 (70)
Togo	2.2	2.6	56	39	35.1	163 (72)
Tunisia	5.6	2.4	164	34	51.7	626
Uganda	11.2	3.3	236	47	47.5	141 (72)
Cameroon	6.3	1.9	475	13	41.0	303 (73)
Tanzania	14.8	2.7	945	16	40.5	152
Upper Volta	5.9	2.3	274	22	31.6	59 (70)
TOTAL MUSLIM COUNTRIES	272.4	2.6	20,603	13	42.6	277
IN AFRICA (29)						
IN ASIA						
Afghanistan	18.8	2.4	647	29	37.5	88 (70)
Bahrain	0.3	3.1	—	391	—	1,136 (70)
Bangladesh	75.0	2.4	144	521	—	79 (72)
Brunei	0.2	3.6	6	26	—	1,100 (70)
Federal Cyprus	0.2	1.0	3	69	—	—
Indonesia	127.6	—	1,904	86	47.5	127 (73)
Iran	32.1	2.9	1,648	20	50.0	945 (73)
Iraq	10.8	3.3	435	25	51.6	382 (70)
Jordan	2.6	3.3	98	27	52.3	358
Kuwait	0.9	5.6	18	52	69.0	11,852
Lebanon	2.8	3.0	10	268	—	796 (72)
Macao	0.3	1.8	—	16,625	—	—
Malaysia	11.7	2.9	330	35	—	516 (73)
Maldives	0.1	2.0	—	393	—	101
Oman	0.7	3.1	212	4	—	419 (70)

TABLE II continued

Source's Page No.	Population (000,000) 67-73	Population Growth Rate 67-73	Area (000 Km ²) 67-73	Density 67-73	Life Expect. 79-83	Per Capita GDP 700-703
Pakistan	68.2	3.3	804	85	51.3	128 (73)
Palestine	3.5	3.4	27	—	—	—
Timor	0.7	2.2	15	44	37.5	108 (70)
Qatar	0.1	3.0	11	8	—	4,352 (73)
Saudi Arabia	8.7	3.0	2,150	4	42.3	3,237 (73)
Syria	7.1	3.3	185	38	56.6	546
Turkey	38.3	2.4	781	49	53.7	769
U.A.E.	0.2	3.1	84	3	—	—
Yemen	6.5	2.9	195	33	42.3	129 (73)
Yemen Democratic	1.6	3.3	288	6	42.3	99 (70)
TOTAL IN ASIA (25)	419.0	2.7	9,995	42	48.0	363
IN EUROPE	2.4	3.1	29	84	65.9	—
Albania	—	—	—	—	—	—
TOTAL MUSLIM COUNTRIES (55)	693.8	2.64	30,627	23	45.6	326
Per Capita Gross Domestic Product excluding 6 oil countries (Saudi Arabia, UAE, Kuwait, Libya & Bahrain)	255	—	—	—	—	—
THE WORLD	3,800.0	1.9	135,830	29	—	—
EEC	257.6	0.6	1,529	168	71.4	4,467
U.S.A.	212.0	0.8	9,363	23	71.3	6,597
U.S.S.R.	252.0	0.9	22,402	11	69.5	—
RATIO OF MUSLIM COUNTRIES TO THE WHOLE WORLD	17.8%	—	22.5	—	—	—

Source: United Nations Statistical Yearbook, 1975

TABLE III
Selected Health and Illiteracy Data

	Year	Population per Physician	Hospital beds for 10,000 Population	Illiteracy for people 15 years old and more
				year %
IN AFRICA				
Algeria	1969	7,860	29.3	1971 73.6
Central African Republic	1973	27,970	19.2	
Chad	1974	44,370	8.8	
Ethiopia	1972	69,340	3.2	
Guinea	1973	22,380	16.7	
Upper Volta	1974	59,570	8.5	
Nigeria	1973	25,440	7.3	
Egypt	1973	2,340	21.5	
Libya	1974	1,140	41.5	1964 78.5
IN ASIA				
Afghanistan	1973	26,100	1.5	
Bangladesh	1973	9,350	1.5	
Democratic Yemen	1968	32,380	15.0	1967 61.0
Indonesia	1974	18,160	7.1	1966 77.0
Iran	1974	2,570	14.6	
Iraq	1974	2,370	20.9	
Lebanon	1974	1,470	38.4	
Pakistan	1974	3,970	5.4	
Turkey	1974	1,830	21.4	1970 48.6
NON MUSLIM COUNTRIES				
Belgium	1974	570	88.9	
France	1974	680	102.4	
West Germany	1974	520	114.2	
U.K.	1974	760	87.5	
U.S.S.R.	1974	340	114.8	0.2
Canada	1974	600	93.9	
U.S.A.	1974	610	40.7	1.0

Sources:- World Health Statistics Annual 1973-76, published by the World Health Organization, Geneva, 1976: pp. 72-76, 288-296. UNESCO Statistical Yearbook, UNESCO, 1973: pp. 55-73

TABLE IV

The Share of the Muslim Countries in the World Output, and Reserves of Certain Energy Sources, Minerals, and Agricultural Products Compared with U.S.A. and U.S.S.R.

Commodity	Year	% of World Total	% of USA to the World	% of USSR to the World
Oil	1976	51 ¹	14 ¹	18 ¹
Oil reserves	1974 ²	76 ²	6 ²	9 ²
Natural Gas reserves	1973	38		
Uranium reserves	1974	10	30	
Tin	1974	60	4	
Phosphate	1974	34	35	20
Barley	1974	6	4	32 ³
Cocoa	1974	43	0	0 ³
Coffee	1974	24	0	0 ³
Cotton 1974	1974	21	18	19 ³
Eggs	1974	4	17	13 ³
Cattle	1974	14	11	9 ³
Sheep	1974	23	1	13 ³
Palm oil and Kernels	1974	81	0	0 ³
Rice	1974	20	2	
Wheat	1974	10	14	23
Wool	1974	5	3	18
Roundwood	1974	30	6	5

¹ Source: *Middle East Economic Digest*, Vol. 21 No. 3 January 21, 1977 p 37.

² Source: For the second line till the end the source is *United Nations Statistical Yearbook* 1975 pp. 119-403.

³ Out of major producers.

TABLE V

The Percentage Share of the Muslim Countries in the International Market¹ of Selected² Commodities, 1974.³

Commodity	Share of the Export Market	Share of the Import Market	Net Export	Net Import
Live Animals	8.45	6.13	2.32	
Meat		0.64		0.64
Milk and Cream	7.90	0.46	7.44	
Butter	0.09	5.45		5.36
Cheese	0.09	2.43		2.34
Wheat	0.02	15.88		15.86
Rice	16.79	31.75		14.96
Barley	0.50	4.07		3.57
Maize	0.43	1.92		1.49
Milled Wheat or Flour	40.83	34.48	6.35	
Coffee	15.88	0.74	15.14	
Cocoa	35.61	0.93	34.68	
Tea and Mate	10.88	18.94		8.06
Non-Alcoholic Beverages		4.85		4.85
Alcoholic Beverages	4.00		4.00	
Tobacco (Unmanufactured)	10.86	4.69	6.17	
Tobacco (Manufactured)	3.41	11.69		8.28
Rubber (Crude)	38.48		38.48	
Wood (rough)	45.01		45.01	
Cotton	38.30	2.43	35.87	
Cotton Fabrics	5.44		5.44	
Jute	59.41	14.85	44.56	
Fertilisers (Crude)	76.94	1.34	75.60	
Fertilisers (Manufactured)	4.81	12.14	7.33	
Oil (Crude)	87.29		87.29	
Oil Products	20.70		20.70	
Natural Gas	17.40	0.32	17.08	
Fixed Vegetable Oil	8.19	16.24	8.05	
Coal Petroleum Chemicals	35.95		35.95	
Tin	60.95		60.95	
Machines for Special Industry		6.70	6.70	
Textile Machines		5.37	5.37	
Electric Power Machines		1.42	1.42	
Electric Distributing Machines		10.04	10.04	
Railway Vehicles		5.87	5.87	
Aircraft		2.38	2.38	

¹ Since these data are extracted from the commodity matrices of the major twenty countries, the figures given in this appendix underestimate the real share of the Muslim countries as many of these are smaller international traders. As such, a big proportion of what is left out by the big twenty is actually participated in by the Muslim countries.

² This appendix is confined to commodities in whose export or import any Muslim country has a share of at least 1% of the market.

³ Source: *United Nations Yearbook of International Trade*, 1975, Volume II, pp. 388-735.

TABLE VI

Commodity Structure of the Muslim Countries Imports and Exports (percentage of total for each country)

Country	Year	I: Imports E: Exports	Foods, Beverages Veg. Oil and Fat	Consumer Manufact. Goods	Machinery and Transport	Raw Materials and Crude	Total
Afghanistan	1972	I	22	63	13	2	100
		E	36	15	—	49	100
Algeria	1973	I	14	43	39	4	100
		E	12	4	—	84	100
Bahrain	1975	I	6	24	19	51	100
		E	1	21	3	75	100
Benin (Dahomey)	1972	I	20	49	22	9	100
		E	51	6	3	40	100
Brunei	1973	I	19	41	37	3	100
		E	—	—	—	100	100
Central African Republic	1971	I	23	37	37	3	100
		E	28	38	—	34	100
Chad	1972	I	25	37	21	17	100
		E	18	3	3	76	100
Egypt	1974	I	43	28	18	11	100
		E	16	26	1	57	100
Ethiopia	1974	I	10	44	29	17	100
		E	59	2	—	39	100
Gabon	1971	I	14	42	42	2	100
		E	1	7	1	91	100
Gambia	1973	I	29	50	13	8	100
		E	48	—	—	52	100
Indonesia	1974	I	15	41	36	8	100
		E	8	4	—	88	100

TABLE VI continued

Country	Year	I: Imports E: Exports	Foods, Beverages Veg. Oil and Fat	Consumer Manufact. Goods	Machinery and Transport	Raw Materials and Crude	Total
Iran	1974	I	18	45	32	5	100
		E	1	1	—	98	100
Iraq ¹	1973	I	27	43	28	2	100
		E	40	12	—	48	100
Ivory Coast	1974	I	17	38	29	16	100
		E	61	6	2	31	100
Jordan	1975	I	22	33	32	13	100
		E	26	18	14	42	100
Kuwait	1974	I	18	45	34	3	100
		E	—	4	1	95	100
Lebanon	1973	I	17	44	25	14	100
		E	21	47	25	7	100
Macao	1974	I	30	56	7	7	100
		E	5	93	1	1	100
Madagascar	1974	I	22	37	21	20	100
		E	69	9	—	22	100
Malaysia	1974	I	18	34	32	16	100
		E	21	25	4	50	100
Mali	1972	I	23	30	32	15	100
		E	41	5	5	49	100
Mauritania	1972	I	23	28	42	7	100
		E	11	1	5	83	100
Morocco	1974	I	28	30	20	22	100
		E	25	11	—	64	100
Niger	1974	I	20	31	29	20	100
		E	34	9	4	53	100

TABLE VI continued

Country	Year	I: Imports E: Exports	Foods, Beverages Veg. Oil and Fat	Consumer Manufact. Goods	Machinery and Transport	Raw Materials and Crude	Total
Nigeria	1974	I	10	48	35	7	100
		E	4	1	—	95	100
Pakistan	1974	I	23	35	23	19	100
		E	32	51	2	15	100
Qatar ¹	1975	I	18	31	50	1	100
		E	4	78	18	—	100
Saudi Arabia	1973	I	23	39	35	3	100
		E	—	1	—	99	100
Senegal	1973	I	39	32	24	5	100
		E	53	17	4	26	100
Sierra Leone	1974	I	26	41	20	13	100
		E	14	—	—	86	100
Somalia	1972	I	26	41	24	9	100
		E	91	—	—	9	100
Sudan	1973	I	19	45	31	5	100
		E	9	—	1	90	100
Syria	1974	I	28	42	19	11	100
		E	6	7	1	86	100
Togo	1973	I	20	43	28	9	100
		E	41	5	3	51	100
Tunisia	1975	I	19	33	32	16	100
		E	19	20	1	60	100
Turkey	1974	I	10	36	29	25	100
		E	46	23	1	30	100
Uganda	1974	I	10	52	34	4	100
		E	80	5	—	15	100

TABLE VI continued

Country	Year	I: Imports E: Exports	Foods, Beverages Veg. Oil and Fat	Consumer Manufact. Goods	Machinery and Transport	Raw Materials and Crude	Total
Cameroon	1975	I	11	46	31	12	100
		E	65	15	3	17	100
Tanzania	1974	I	19	36	24	21	100
		E	40	12	—	48	100
Upper Volta	1972	I	25	41	23	11	100
		E	55	5	—	40	100
Yemen	1973	I	51	32	12	5	100
		E	25	—	—	75	100
Yemen Democratic	1969	I	22	28	6	44	100
		E	6	5	—	89	100
U.S.A.	1975	I	11	31	25	33	100
		E	17	27	43	13	100
France	1975	I	12	35	23	30	100
		E	15	41	37	7	100
West Germany	1975	I	15	40	17	28	100
		E	5	44	46	5	100
U.K.	1975	I	19	36	19	26	100
		E	7	44	42	7	100
Japan	1975	I	16	14	9	61	100
		E	1	48	49	2	100
U.S.S.R.	1975	I	24	32	36	8	100
		E	17	18	20	45	100

¹ Source: *United Nations Yearbook of International Trade, 1975*, Volume I, pp. 99-1057. In the calculation of percentage the most recent available data were used.

² Exports of oil are not included.

TABLE VII
The Trade Balance

Country (1)	Year (2)	Export (000,000) US \$ (3)	Import (000,000) US \$ (4)	National (000,000) US \$ (5)	Trade Integration Index		Percentage of Trade with Muslim Countries	
					With the rest of the World (6)	With the Muslim Countries (7)	% of Total exports (8)	% of Total imports (9)
IN AFRICA								
Algeria	1973	1,797	2,132	6,695	0.59	0.01	—	2
Chad	1973	38	82	256 (70)	0.46	0.11	26	23
Central African Republic								
Comoro	1971	32	30	196 (70)	0.31	0.01	3	3
Benin (Dahomey)	1974	44	93	255 (72)	—	—	—	—
Egypt	1975	1,402	3,934	8,739 (73)	0.53	0.10	4	10
Guinea	1975	3	43	310 (70)	0.61	0.05	5	9
Ethiopia	1975	239	315	2,019 (72)	0.14	—	—	—
Algeria & Issas	1973	10	73	99 (70)	0.27	0.07	26	24
Gabon	1972	193	133	293	0.83	—	—	—
Gambia	1973	42	37	42 (70)	1.11	0.02	2	2
Ivory Coast	1974	1,214	967	1,772 (72)	1.88	0.05	1	5
Libya	1974	8,265	2,764	5,853 (73)	1.23	0.12	7	13
Madagascar	1974	244	281	1,004 (72)	1.88	0.10	5	7
Mali	1972	37	74	252 (70)	0.52	0.07	5	19
Mauritania	1972	119	85	205	0.44	0.15	54	24
Morocco	1975	1,542	2,649	4,729 (73)	1.00	0.06	3	10
Niger	1974	53	96	327 (70)	0.88	0.11	7	15
Nigeria	1975	7,994	6,047	12,612 (73)	0.45	0.12	34	21
Senegal	1973	195	359	966 (72)	1.11	0.01	—	3
					0.57	0.10	26	12

TABLE VII continued

Country (1)	Year (2)	Export (000,000) US \$ (3)	Import (000,000) US \$ (4)	National (000,000) US \$ (5)	Trade Integration		Percentage of Trade with Muslim Countries	
					Index With the rest of the World (6)	With the Muslim Countries (7)	% of Total % of Total exports (8)	% of Total % of Total imports (9)
Sierra Leone	1974	141	222	529 (73)	0.68	0.07	1	17
Somalia	1972	43	76	237 (70)	0.50	0.16	68	12
Sudan	1975	429	957	1,713 (70)	0.80	0.14	18	17
Togo	1974	189	122	314 (72)	0.99	0.07	6	8
Tunisia	1975	856	1,418	3,364 (74)	0.67	0.07	14	9
Uganda	1975	262	128	1,377 (72)	0.28	0.02	10	4
Cameroon	1975	446	598	1,047 (70)	0.99	0.11	13	9
Tanzania	1975	349	713	2,071 (74)	0.51	0.07	12	13
Upper Volta	1974	36	144	333 (70)	0.54	0.13	43	20
IN ASIA								
Afghanistan	1972	125	51	1,425 (70)	0.12	0.01	8	14
Bahrain	1975	1,147	1,158	195 (70)	11.82	4.68	26	53
Bangladesh	1973	370	657	5,289 (70)	0.19	—	—	—
Brunei	1974	992	187	2,005 (70)	0.58	0.04	8	5
Federal C./prus	—	—	—	—	—	—	—	—
Indonesia	1974	7,426	3,858	14,318 (73)	0.78	0.02	1	7
Iran	1974	17,793	6,544	25,728 (73)	0.94	0.03	3	3
Iraq ¹	1974	95	2,365	2,932 (70)	—	—	54	10
Jordan	1975	153	731	846 (73)	1.04	0.31	60	23
Kuwait	1974	10,954	1,553	10,400	1.20	0.10	8	12
Lebanon	1973	502	1,225	2,060 (72)	0.83	0.22	58	14

TABLE VII continued

Country (1)	Year (2)	Export (000,000) US \$ (3)	Import (000,000) US \$ (4)	National (000,000) US \$ (5)	Trade Integration Index		Percentage of Trade with Muslim Countries	
					With the rest of the World (6)	With the Muslim Countries (7)	% of Total % of Total exports imports (8) (9)	
Macao	1974	103	121	—	—	—	1	1
Malaysia	1974	4,234	4,111	5,456 (73)	1.52	0.14	4	14
Maldives	—	—	—	9 (70)	—	—	—	—
Oman	—	—	—	195 (70)	—	—	—	—
Pakistan	1974	1,118	1,738	8,730 (73)	0.33	0.09	40	21
Palestine	—	—	—	—	—	—	—	—
Timor	—	—	—	—	—	—	—	—
Qatar ¹	1975	51	410	435 (70)	—	—	—	—
Saudi Arabia	1973	9,089	1,981	6,817 (72)	1.62	0.22	58	16
Syria	1975	930	1,685	2,095 (72)	1.25	0.23	11	27
Turkey	1975	1,401	4,738	15,826 (72)	0.39	0.17	12	15
U.A.E.	—	—	—	—	—	0.07	17	18
Yemen	1973	8	125	796 (73)	—	—	—	—
Yemen Democratic	1969	144	218	158 (70)	0.17	0.06	37	33
U.S.A.	1975	107,652	96,941	1,259,000 (74)	0.16	—	24	52
U.S.S.R.	1975	33,310	3,6969	—	—	—	—	—
France	1975	51,604	53,606	235,551 (74)	0.45	—	—	—
U.K.	1975	43,759	53,267	171,932 (74)	0.56	—	—	—
West Germany	—	90,021	74,208	338,831 (74)	0.48	—	—	—
Japan	—	55,754	57,865	390,594 (74)	0.29	—	—	—

Sources: *United Nations Yearbook of International Trade 1975*, Vol. I, pp. 99-1057. *United Nations Statistical Yearbook, 1975*, Table 192, pp. 694-9
¹ Exports of oil are not included.

20 Trade and Cooperation among the Muslim Countries

Nevzad Yalcintas

International trade has, among others, two important functions which no country whatever the size of its economy can afford to neglect: first, exports and imports are essential elements of national economic development; second, international trade is a vital factor in strengthening the relations among nations. In examining international trade patterns of the Muslim countries these two aspects of trade can be considered as starting points. Inter-Muslim countries' trade constitutes an essential tool for both speeding the economic development of Muslim countries and for strengthening the ties among them. We will return to this later.

In dealing with the place of Muslim countries in the world economy and in international trade, the very definition of the term "Muslim country" becomes critical. A sound definition of terms is a prerequisite for sound analysis. How do we label a country as "Muslim"? In Dr Kahf's paper more than one criteria are applied. No doubt the distribution of population according to their religion is a basic criterion for describing a country as Muslim. But is this adequate? There are countries where the majority of the population is Muslim but the government is and has always been in the hands of non-Muslims. To include these countries into analyses can distort the findings of studies on the Muslim world. The policy-makers in these countries are not Muslims because the Muslims, although they are in the majority, are not masters of their own destinies. In these countries all the decisions concerning economic life and international trade policies are taken by one non-Muslim ruler and economic structures and trade patterns take their shapes according to the will of the non-Muslim elite. Bearing this in mind, the case of some "Muslim countries" can be reassessed and the total number of Muslim countries in the world may change. In the selection of the Muslim countries the list of the Muslim Foreign Ministers Conference may be accepted as standard.

The economic disparity between highly developed industrialised nations and some very poor Muslim countries is certainly very big. It looks even bigger and dramatic if one compares the level of development

of one of the least developed Muslim lands with that of one of the most developed economies of the world. Many Muslim countries gained their independence very recently, their resources have long been exploited by the colonial powers and their trade pattern is still directed towards the ruling countries. As seen in Table II several of them have a small population and land size. There are only 7 Muslim countries, among 55 on the list, whose total population exceed 30 million; all the rest are below this level. For the development of a home market and the establishment of new industries this situation creates serious problems. Many Muslim countries cannot be self-sufficient in some vital areas of production and the trade integration index is very high with respect to non-Muslim countries. So long as these countries live separately from other Muslim countries their dependence on non-Muslim economies will greatly continue. For these small Muslim countries, close economic co-operation and even some degree of integration with other Muslim countries seem to be vital.

As there are economic development differences between Muslim and non-Muslim countries there are also economic disparities among Muslim countries themselves. It is necessary to analyse these disparities more closely in order to understand better the international trade patterns of Muslim countries. The foreign trade of a country is a natural outcome of its economic structure, production patterns and competitiveness. Muslim countries can be classified into categories, according to their geographical situation, level of development, size and population, foreign earnings, economic structure, etc. Taking into account several of these factors the following classification, in economic terms, can be made:

1. RCD countries and Afghanistan
2. Oil Exporting Muslim countries
3. Arab countries (not oil)
4. African Muslim countries
5. Eastern Trading Area Muslim countries (Bangladesh, Malaysia, Indonesia, etc)
6. Other Muslim countries (Albania, etc)

Any overall approach to the economic and international trade problems of the Muslim world, comprising as it does some 50 countries and extending over more than 30 million square kilometers, will run the risk of neglecting some specific issues. A category-wise examination of the international trade pattern of the Muslim world however could lead to more practical measures to be implemented in order to attain some well-defined goals. This sort of approach may help to identify more specifically the real and acute problem areas in its international trade. In so

doing, the problems can be more clearly seen and appropriate economic and trade policies better formulated.

In Dr. Monzer Kahf's valuable paper the tools used to analyse the international trade patterns are very well chosen. But this analysis gives an almost static aspect of the trade patterns; it is a photograph of the existing situation in a given year. A more dynamic analysis might have shown the trend of development in trade patterns. There is a great need to indicate and explain the changes of the main international trade indicators in a given period (i.e. period covering 1975-1976), otherwise the picture of performance in international trade will look rather gloomy. The reality can be the reverse for several Muslim countries. Most of these countries gained their independence very recently and during the last decade several of them were able to make substantial progress in their economic development, hence their trade pattern shows signs of improvement.

We know that during the 1970s many countries, like Iran, Saudi Arabia, Turkey, Libya, Malaysia and others realised high rates of economic growth compared with industrialised countries. In 1974 and 1975 industrialised western countries, as a whole, realised a negative rate of growth, whereas several Muslim countries, during the same period and after, continued to have a high rate of economic growth. The example of Turkey, among others, illustrates this situation more clearly.

The Turkish economy experienced the highest rate of growth among OECD countries in 1975 and 1976, and during the 1970-1975 period the Turkish growth rate (7.8%) was ranked as fourth among world economies, which included both developed countries and developing countries. Turkey's growth rate of Gross National Product attained 7.2% in 1976 while the average for OECD countries did not exceed 5%.

From the viewpoint of growth in industrial production the comparison is more impressive. Industrial production decreased in 1975 for OECD countries, while Turkish industrial production showed an increase of 9% in 1975 and 11.5% in 1976. 1977 forecasts show a rate of increase of 3.7% for OECD countries and 13.4% for Turkey. The table overleaf shows international comparisons.

Since 1971 Turkish imports from and exports to Muslim countries increased rapidly. Total imports from Muslim countries were \$105 million in 1971, became \$222 million in 1973 and reached \$843 million in 1975. The main cause of this growth was the increase in the price and the volume of imported oil. The exports of Turkey to Muslim countries showed the following trend: 1971 = \$79 million; 1973 = \$180 million and in 1975 = \$235 million. In Turkish exports the share of Muslim countries was 13.6% in 1973 and became 16.8% in 1975. The share in imports also increased from 10.6% in 1974 to 17.8% in 1975. For the same period the shares of the EEC and the USA in Turkish imports and

exports continued to diminish. The Turkish case reveals, in recent years, a sustained high economic growth rate and a continual trade increase with Muslim countries.

Growth of GNP in OECD countries.

	1975	1976	1977
Canada	0.6	4.75	3.50
U.S.A.	-1.8	6.25	4.50
Japan	2.1	6.00	6.00
France	-1.2	5.00	3.00
Germany	-3.2	5.50	3.50
Italy	-3.7	4.50	-0.50
England	-1.8	1.0	1.50
Total	-1.3	5.50	4.00
Other O.E.C.D. countries	-0.6	2.50	2.75
O.E.C.D. total	-1.2	5.00	3.75
TURKEY	8.0	7.20	8.20

Economy of Turkey 1977. Tusiad. April 1977. Istanbul.

The last few years in international trade brought a big deficit to industrialised countries and a huge export surplus to oil-exporting countries. According to GATT figures, the aggregate trade deficit of North America, Japan and the industrial countries of Western Europe (excluding Southern Europe), which had contracted from \$43 billion in 1974 to \$11 billion in 1975, widened again to \$35 billion in 1976 as imports recovered more rapidly than exports. The combined trade deficit of Southern European countries in 1976 remained at nearly \$20 billion, about as high as in each of the preceding two years, imports showing only a marginal rise, even in value terms.

Shifts in their trade with developing countries accounted for most of the increase in the trade deficit of the industrial countries in 1976. Imports from the oil-exporting developing countries recovered by about 17% while the exports to them rose at about the same rate, which was significantly less than in the preceding two years. The trade deficit of industrial countries with the oil exporters rose by nearly \$10 billion to about \$52 billion. In trade with the oil-importing developing countries, the export surplus of industrial countries declined by some \$14 billion to approximately \$10 billion, as a result of a 20% increase in the value of imports, combined with a slight decline in the value of exports.

The overall export earnings of the *oil-exporting developing countries* increased by about 17%, on an estimated volume increase of 12%; their import growth, at slightly less than 20%, was only half as rapid as in the preceding year. The export surplus of the oil-exporting developing countries rose about \$8 billion to \$65 billion (as against \$86 billion in 1974). The current account surplus of the oil-exporting developing countries can be estimated to have risen to about \$42 billion in 1976.

Export earnings of the *oil-importing developing countries*, which had declined slightly during 1975, recovered by 17% in 1976. Their imports, on the other hand, increased by only 4% in value (as compared with 7% in 1975).

Given the positive economic performance and the high and sustained growth rate of several Muslim countries during the last decade, and the *continual* export surplus of the oil-exporting Muslim countries accompanied with big investment on economic and social infrastructure, it is difficult for us to share, entirely, the first conclusion expressed in Dr Kahf's paper which says, "This study shows that the Muslim world lives within the vicious circle of poverty, underdevelopment and dependence on international trade." This seems to us too general a judgement. Poverty and underdevelopment are not a general and common phenomenon in the destiny of the Muslim world. Certainly there are several Muslim countries belonging to the poorest parts of the world and it will be very useful to identify, classify them and consider how much a new pattern of inter-Muslim trade could help to cure their states of poverty and underdevelopment. No doubt, as Dr Kahf explains, a low trade-integration index shows a low level of international trade relationships among Muslim countries. Increasing the volume of inter-Muslim trade can be a major aid factor, if it is seriously conducted, to the development of poorer Muslim countries. The demand for their export commodities, created by other Muslim countries and more favourable import terms provided to them will certainly be very helpful to the economic growth and prosperity of poorer Muslim countries. Long-term credit facilities and joint venture investment are other means of contributing to this development.

The aim of achieving a high level of trade relations among Muslim countries will play a vital role in reshaping the international trade patterns of these countries. At present the volume of commodities exchanged among Muslim countries is minimal. The figures given in Dr Kahf's paper shows this situation clearly. He rightly proposes a diversion of trade relations among Muslim countries and shows the necessity of a change in their trading partners.

The heavy dependence on international trade in food imports for several Muslim countries is a grave issue. A substantial increase in inter-

Muslim trade could drastically diminish this dependence. Food importing Muslim countries could shift their imports, wherever possible, towards food exporting Muslim countries.

In many Muslim countries structural economic distortions are a major factor in the persistence of high levels of trade deficit. The structural adjustments require new investment in economic and social sectors. The growth of inter-Muslim trade will help the rapid economic development of these countries as well as their structural adjustments. To attain the goal of an ever-increasing trade among Muslim countries, a developed transportation and communication system is an essential prerequisite. No inter-Muslim trade development is possible without efficient land, sea and air connections and up-to-date communications.

To these an effective information and banking system must be added. Another area of action, in order to increase inter-Muslim trade, is "standardisation". There is no doubt that standardisation can be an effective element in reducing trade difficulties among Muslim countries. Where applied on the international level, the standard acquires the characteristic of a world language, it becomes one of the most important means in developing international relations. The very purpose of these standards is the elimination of the technical obstacles that slow down or render difficult the flow of goods and services between countries. Setting up a standardisation organisation among Muslim countries will contribute greatly to the growth of trade.

The examples of the European Economic Community and Comecon show that well conceived, prepared and phased schemes of close economic cooperation and integration are possible and can make for rapid economic growth and social progress.

This sort of economic integration and cooperation can change international trade patterns and open the way for more rational specialisation among countries. The Muslim world needs it urgently and has the capacity to realise it. These changes will make the inter-Muslim trade patterns more appropriate to their needs.

21 Foreign Trade and Balance of Payments of Muslim Countries

Mohammed Yeganeh

General Remarks

This paper deals mainly with recent developments in foreign trade and balance of payments of 38 Muslim countries, comprising a total population of about 650 million in mid-1976. The presentation is made mainly in quantitative terms and attention is drawn to some of the major problems and potentialities of Muslim countries in this field, in the world setting. For a better understanding of the role, evolution and problems of foreign trade and balance of payments, especially in relation to the new international economic order, it is considered useful to present a general background on the evolution and main problems of foreign trade of the Third World, including the Muslim countries, and also to provide a general framework in terms of economic development of these countries.

Since it is not possible, in the context of this short presentation, to resort to individual country analysis, an attempt has been made to provide aggregate data for these countries and to identify their common problems and achievements. However, to make the analysis of survey meaningful, in the light of basic differences and similarities among them, the aggregate data have often been broken down among groups of countries, or sub-groups, and sometimes among individual countries. In order to present comparable data, the information and statistics contained in the paper are based mainly on publications of – or materials obtained from – the United Nations, UNCTAD, IMF and IBRD, which usually process country data for their comparability.

Introduction

At the outset, I must emphasise that Islam promotes the division of labour and specialisation in production of goods and services and for this purpose it encourages commerce, including international trade. In fact, the great Prophet of Islam, Muhammad (may God bless him and grant him peace) engaged in his youth in international trade between Arabia and

the Byzantine Empire. Such specialisation in our economic activities will enable us to maximise our output and consumption and obtain the goods and services that we need, against the sale of surplus goods and services produced by us.

Islam also promotes competition and free trade, but it is against hoarding, monopoly practices, and exploitation of man by man. Furthermore, Islam demands greater cooperation and collaboration among Muslims as well as assistance to the needy. These are some of the principles of Islam, which are of basic interest to the subject matter of this paper.

Evolution of International Trade and International Economic Orders

In past centuries the world's international trade was rather limited, on the basis of present standards. This was due to the fact that our productivity and output was low, and for production of goods and services we relied on simple technologies and the limited energies of human labour and draft animals. Thus, each community was self-sufficient to a great extent in meeting its own requirements.

With the development of modern science and technology in Europe, and their application to production processes, the Europeans started learning and implementing the mass production systems, which were based on mechanisation and the use of power generated by the utilisation of coal, wood, water and subsequently petroleum and natural gas: more recently, nuclear energy.

These new production systems involved two important prerequisites: first, larger volumes of different types of raw materials and abundant energy sources for expanding mechanised industries; and second, larger markets for the sale of the rising output of these industries. Both of these prerequisites were not considered to be adequate in Europe. Besides, mechanisation had created unemployment – similar to today's unemployment resulting from increasing automation – which could be tackled by expanding markets at home and abroad. Furthermore, the nature of new production systems and the interest of Europeans required that access to the raw material resources and to the outlets for industrial goods should be secure – raw materials to be obtained as cheaply as possible and manufactured goods to be disposed of at relatively high prices.

How could this be achieved? The answer was the establishment of political domination, colonialism, concessionary arrangements, elimination of competition for obtaining raw materials cheaply and selling manufactured European goods expensively. The targets were clear: the people of Asia, Africa and the New World (including the Muslim countries) and their rich natural resources and potentially huge markets –

considering the size of population and their relative prosperity, particularly in Asia. After political domination and colonisation, these countries, which are now being referred to as the Third World, were denied new technologies, prevented from setting up their own industries (except for processing of certain bulky raw materials which were difficult for transportation), and were prohibited from selling their products to other customers. Subsequently, the United States of America and Japan, which had succeeded in breaking the European chains, joined the ranks of industrialised countries of Europe.

Thus a new world economic system was born. It was based on application of modern technologies and industrialisation in the Northern countries; exploitation of the rich natural resources of the South and their secure supply at cheap prices for the benefit of the North; and the disposal of high-priced industrial goods of the North in the South. This was a system without equity and justice, and based on exploitation by men in a few nations of huge numbers of people in many other nations. Such a system would undoubtedly lead to conflict, confrontation and war. Even the colonisers had to fight among themselves to increase their share of the cheap and abundant raw materials as well as to secure access to markets for their exports – the result was two world wars.

This economic system continues to operate today in a somewhat modified form – through the market mechanism and certain international economic institutions – despite the dismantling of colonial empires after the Second World War. It must be admitted that the international rivalry among capitalist countries helped the struggle of colonised people for the early achievement of their political freedom and sovereignty. The United States, which emerged as the leader of the industrial countries after the Second World War, had very few colonies, was emotionally against colonialism because of its own experiences, had its rich natural resources and vast domestic market, but above all it had been denied by European Empires access to raw materials and markets of the South. As a result, the U.S.A. pressed for a process of rapid decolonisation by Europeans, while jealously preserving most of the underlying principles of the international economic system. In fact, to strengthen the system, the United States led the way for the establishment of three major international economic institutions, in monetary, financial and international trade fields, at Bretton Woods in 1944. These institutions were the International Monetary Fund, the World Bank and GATT, all with stringent rules for preserving the existing international economic order. They were dominated in their management and policies by the industrialised countries, especially the United States of America. The system was also strengthened by the expansion of international operations of the transitional companies and their protection by home

governments; and it led to unprecedented prosperity for the industrial countries of the North and stagnation or little progress for most countries of the South – this resulting in an increasing gap between the rich North and the poor South.

In the circumstances, the Third World countries, which had achieved their political freedom, continued their struggle in the economic arena – development, finance and trade – in the exercise of their sovereign powers. The world witnessed the birth of such institutions as UNCTAD, UNIDO, UNDP, Regional Development Banks, as well as the passage of numerous resolutions by the United Nations General Assembly concerning the exercise of sovereignty over natural resources, transfer of resources from the rich North to the Third World, industrialisation of developing countries, transfer of technology, development targets for the First and the Second Development Decades, etc. What was the result of this increased struggle by developing countries and the greater attention by the international community for the solution of the problems of the Third World, including the Muslim nations, for achieving a decent standard of living for their people? According to UNCTAD, between 1952 and 1972, the per capita annual income in market economy countries increased (at 1973 prices) from \$2,000 to \$4,000 (presently being over \$5,000), while the increase for developing countries was only from \$125 to \$300. In other words, an increase of \$2,000 for rich nations and only \$175 for the Third World in 20 years. It should be noted that these averages cover the more rapidly developing and middle income countries of Latin America and the Far East as well as the oil exporting nations with relatively high income; otherwise the average for most of the Third World population would fall below \$150 per annum.

The collapse of the international monetary system, the increasing international liquidity by the industrial countries to finance their deficits, and the sharply rising world inflationary pressures, exasperated the patience of the developing countries. Prices of raw materials which started moving upward under the boom conditions by the market mechanism could also come down sharply under the recessionary conditions – as they did subsequently. This system needed replacement, including the elimination of foreign economic domination. In order to safeguard their interests on a continuing basis, the oil exporting countries of OPEC took the initiative and established their sovereignty over their most important natural resources, especially as regards its development, production, trading and pricing policies and operations. The precious oil was being burned as fuel ruthlessly and wastefully in industrialised nations, while thousands of useful products could be manufactured from oil for the utilisation and welfare of our people and humanity at large. These precious

resources were being depleted so rapidly that we could see their end in sight within 20 to 30 – maximum 40 years.

Why had this happened? Undoubtedly, it was largely due to the cheap price of petroleum, established by the international oil companies, which were controlling their resources. In fact, it was the cheap price of oil and other raw materials from the Third World, including the Muslim nations, which contributed a great deal to the prosperity of the North, while the exporting nations suffered from the high prices of industrial goods and low incomes. The price of crude oil which had been reduced by international oil cartels by 20 per cent (from \$2.18 a barrel in 1948 to \$1.80 in 1970) despite the rapidly increasing prices of industrial goods had to be readjusted, through OPEC, to take account of oil's replacement cost and erosion of purchasing power of earnings from oil exports due to world inflation. We could no longer afford exploitation of our rapidly depleting resources at ridiculously low prices and compensating for the failure of economic policies in industrialised countries or financing their prosperity at our own expense.

This situation led to the readjustment of oil prices by OPEC members, the last major one taking place in Tehran in December 1973, which raised the price of market Arabian crude to about \$11.40 a barrel. In fact the increase was less than the rise in price of wheat and some other food-stuffs exported by the rich nations to developing countries. This action taken on the exercise of sovereignty rights, and similar to many business practices in the industrialised nations including the establishment of oil prices by oil companies in the past, led to confrontation, condemnation and even the consideration of economic and other sanctions by industrialised countries against OPEC members. Thanks to the enlightened leadership and solidarity of the oil exporting nations, these threats could not adversely influence the oil exporting nations, and in fact the OPEC members' success provides hope and strength to other developing nations in their struggle for changing the status quo in the existing international economic order in favour of an equitable and just order.

The Sixth and Seventh Special Sessions of the United Nations General Assembly were convened to consider the problems of raw materials, the development of the Third World and the establishment of a new international economic order. This led to the unanimous approval by U.N. members, in the latter session, of a Declaration and Programme of Action for a New International Economic Order. Iran, in cooperation with the other developing nations played a major role in these proposals, and pressed, *inter alia*, H.I.M. the Shah's proposals for increased transfer of resources to developing countries, and presented a specific scheme for increased assistance of \$2 billion to \$3 billion per annum to developing countries to be distributed equally by the industrialised countries and

OPEC members and managed on a tripartite basis by the developed nations, oil exporting countries and other developing nations. Though no agreement was reached on this proposal at that time, except the establishment of a short-term emergency fund, a similar proposal by Iran supported by other OPEC members was approved for the establishment of the International Fund for Agricultural Development. Iran also strongly supported the establishment of the OPEC Special Fund for Assistance to Developing Nations, and committed itself to more than \$10 billion assistance to other nations in different forms and through various channels, despite its own increasing requirements for financial resources and its resorting to international borrowing. In fact, H.I.M. the Shah, who has brought to his country great successes in economic development and industrialisation, transforming an economically backward country into the largest economy among the Muslim nations, has supported and continues to support strongly the rapid development of the Third World and increased cooperation among the less developed countries. He believes if the present situation continues to deteriorate, we should expect increasing struggles and confrontations between the rich and the poor, leading perhaps to a world revolution by the poor.

However, the developed countries are not yet in a position to agree on a more durable and equitable relationship with the Third World, even for their own long-term interest. This was manifested in the fourth UNCTAD Conference in Nairobi and more recently in the North-South Dialogue of Paris, which achieved little result compared with the magnitude of problems faced by the international community. As it emerged in a secret cable sent by the U.S. State Department to the Dutch Foreign Ministry in late 1976 and published in London on December 4, 1976, in the view of the United States the Paris Conference had been organised to exert pressures on oil exporting countries, especially through the oil-importing developing nations. However, the solidarity of the Third World with the oil countries continued, including agreement on future energy consultation which had been demanded vehemently by industrialised countries in order to participate in the oil decision-making process. Now it is expected that the U.N. General Assembly will consider the results of CIEC (Paris dialogues) in its resumed session in September 1977 and will decide upon the future course concerning the implementation of a programme of action on the establishment of a new International Economic Order.

Recent developments

The foreign trade and balances of payments of the Muslim countries play a major role in their economic development through the exchange

of resources with the outside world, and the transfer of technology from the economically advanced nations.

On the other hand, changes in international trade and payments of these countries are influenced by their natural resources, their economic conditions and policies, and the possibilities and problems of international trade and finance. Considering the similarities and diversities in such factors among the countries concerned, their development performance and trade evolution – including changes in volume, composition, direction and terms of foreign trade and balance of payments conditions – have varied from one country to another or from a group of countries to another.

As regards to similarities, it may generally be stated that the Muslim countries belong to the group of the Third World developing nations – facing the same overall developmental and trade problems. Economically, they are dependent on the production and export of a few primary commodities, most of them with unstable market conditions, for the import of required capital goods and other essential needs. Despite increasing efforts and considerable progress made in a number of countries in recent years, they are generally at a low level of industrial development, especially when one considers the contribution of the manufacturing sector to their gross domestic product, to their supply of technological and engineering goods, and especially to their foreign exchange earnings. They carry out very little R and D activities, and as a result they are primarily dependent on the transfer of technological goods and know-how, generally at high costs, from the developed nations – including the industrialised socialist countries. Their trade and financial links are essentially with advanced market-economy nations – and through limited cooperation with other groups of countries (including Muslim countries, other developing nations or centrally planned economies). They face the same international economic problems such as the breakdown of the international monetary system, the world economic fluctuations, the high inflationary pressures of industrialised countries, increasing prices of their imports, erosion of purchasing power of their export earnings, and deterioration in terms of their foreign trade. Above all, they are dedicated to expedite their socio-economic progress and to narrow the existing gap with developed nations by increasing investment and training and the application of appropriate modern science and technology to their development efforts while safeguarding their rich religious and cultural heritage.

As compared with the above similarities, the Muslim countries are also characterised by basic diversities, which affect the pace and pattern of their development and trade growth. Natural resource endowment varies sharply among these countries – or groups of them – especially as

regards climatic conditions, water availability, agricultural development potentialities and the variety and richness of mineral resources. The geographical location of some countries are more favourable than others, as regards economic development and trade. The size of population and their density differs significantly among them – affecting the pressure of population on available resources and the magnitude of market for domestic output and imports as well as for surplus production and exports. Differences in domestic output and income, foreign trade, and particularly financial and foreign exchange resources for savings and investment – among Muslim countries – have become more striking in recent years. Internal policies for economic development and foreign trade also differ considerably from country to country – extending from *laissez faire* attitudes to policies of mixed economies or centrally planned and regulated economies, which have, again, their impact on the mobilisation of resources, rate of growth and pattern of development and trade. Finally, the changes in international demand for different products, as well as the economic and trade policies of industrial countries, affect in varying degrees the production, trade, and balance of payments condition of the Muslim countries.

The foregoing similarities and diversities in the economic conditions of the Muslim countries and substantial potentialities in most of them for rapid economic growth, especially in the light of their sizeable natural, human and financial resources, offer great possibilities for extending economic trade and financial cooperation among them in various forms. There are potentially large areas of basic common interests and economic complementarity among them which dwarf the prevailing superficial economic or political differences. Steps have been taken through bilateral relationships, regional arrangements and international organisations to promote such cooperation. Bilateral relations among Muslim countries in the fields of trade and finance have continued to expand in recent years, opening possibilities for greater cooperation. Such intergovernmental organisations as the Arab League and RCD (Regional Cooperation for Development organised by Iran, Pakistan and Turkey) have provided a framework for multilateral and collective cooperation, and their limited successes indicate possibilities for wider, more sustained economic cooperation. Common interest and solidarity with other developing nations have led to close collaboration among these countries in international forums in large numbers of areas, especially in the fields of development, trade and finance, and more particularly for the establishment of a new equitable international economic order and the restructuring of international trade, finance and monetary system. The striking successes of OPEC, comprising 11 Muslim countries out of 13 members, which have inspired the other developing nations in their

economic struggle, and the resultant increase in transfer of resources to the Muslim countries, may be considered as a shining example of what can be achieved through cooperation and solidarity.

General Economic Performance

In recent years the Muslim countries have substantially improved their combined position in the world's output and trade and international finance by achieving high rates of economic growth. However, their performance has greatly varied from country to country and, as a result, the disparities among them have continued to widen – especially as regards the rate of economic growth, industrialisation, foreign trade, financial and foreign exchange resources, and the general welfare of their people as a whole. While a number of them have achieved considerable progress in closing their income gap (but not development gap) with industrialised nations, a large number with most of the Muslim population suffer from low income and saving, economic stagnation or a dismal rate of growth, deterioration in their foreign trade and increasing external indebtedness.

The major factor for such rapid economic development has been the concentration of the greater part of discovered hydrocarbon resources of the world in a number of Muslim countries, the shifting of the rising world energy demand towards the increased hydrocarbon utilisation. In fact, 22 out of 38 Muslim countries included in this presentation, possess hydrocarbon resources, but in a number of them such resources and their export earnings are very small in relation to the size of population – hence their economic impact is rather limited. At any rate, it would not be erroneous to state that the high rate of economic growth and increasing prosperity in most of the rapidly developing Muslim countries has been mainly at the expense of fast depletion of their hydrocarbon natural assets. On the other hand, the majority of Muslim countries are faced with similar unfavourable conditions for their economic development as other developing nations of the Third World, such as low income, saving, investment and productivity; rapid growth of population; scarcity of skills; high cost and sometimes unavailability of appropriate modern technology; instability of the international commodity markets; restrictions on exports of their manufactured goods to industrialised countries; deteriorating terms of foreign trade; inadequate capital inflow; increasing external debt burden; and the malfunctioning of the international economic system.

To demonstrate the economic performance of the Muslim countries and to avoid misleading conclusions from generalisations they have been divided in this study into two major groups: Oil Exporting Countries,

and Other Countries – the criteria for such distinction being that petroleum production and export play a predominant role in the economies of the former group. Whenever necessary, each group has been divided into sub-groups, on the basis of their income. Countries with average annual per capita income of over \$2,000 are considered as High Income Countries; those with per capita income of \$350 – \$2,000 are defined as the Middle Income Countries; and those below \$350 per capita average yearly income are taken as Low Income Countries.

Table 1 summarises the economic performance of the Muslim nations within the above groups and sub-groups. Out of 640 million people living in Muslim countries in mid-1975, about 44 per cent were in Oil Exporting Countries and 56 per cent in others. Approximately 2.3 per cent of these people resided in High Income Countries; 23.4 per cent in Middle Income Countries; and 74.3 per cent in Low Income Countries.

The combined GNP of the Muslim Countries at market prices was \$316 billion in 1975 – about two-thirds of which was derived in Oil-Exporting Countries and one third in others. The combined average per capita of these countries, in the same year, was \$495, or \$724 for oil exporters and \$314 for others – ranging from under \$100 in lowest income, least developed, countries to over \$10,000 in a few highest income sparsely populated Oil Exporting Countries.

During 1965–73, the Muslim countries achieved a high average annual rate of economic growth of 7.8 per cent – or 9.3 per cent for oil exporters and 5.0 per cent for other countries. The average rate of growth for low income non-oil exporting countries, comprising 42 per cent of population of Muslim countries, was only 3 per cent; and many of them, such as Bangladesh, Chad, Niger, Senegal, Sudan and Upper Volta, experienced declining per capita income. On the other hand, the Oil Exporting Countries achieved a high increase in their income, especially after the oil price adjustment of 1973–74.

Evaluation of Foreign Trade

Foreign trade of the Muslim countries, as a whole, has achieved spectacular growth since 1970, especially as regards exports. As Table 2 shows, the imports of these countries increased from \$4.9 billion in 1948 to \$16 billion in 1970 and \$81 in 1975, while their exports rose from \$4.7 to \$21 billion and \$115 billion during the corresponding period. Consequently the share of Muslim countries' imports in the total world imports, after declining from 7.7 per cent in 1948 to 4.9 per cent in 1970 rose to 9.0 per cent in 1975; and the share of their exports following a decrease from 8.2 per cent to 6.7 per cent, between 1948 and 1970, jumped to 14.9 per cent in 1974 and declined to 13.0 per cent in 1975. As will be

seen later a large part of the increase in value of imports and exports of the Muslim countries, especially after 1970, reflected the increasing prices of goods due to world inflation. Despite this, the trade growth in real terms, for Muslim countries as a whole, remained substantial.

In fact, the foregoing trend has been influenced largely by increased exports of petroleum, and the 1973–74 readjustment of oil prices. As a result, the exports of oil exporting countries have jumped from \$2.1 billion in 1948 and \$15 billion in 1970 to \$99 billion and \$125 billion, respectively, in 1975 and 1976 – raising their relative share in world exports from 3.7 per cent to 11.3 per cent, between 1948 and 1975. Such an overwhelming expansion of exports has enabled the oil exporters to raise their imports from \$1.8 billion in 1948 and \$8.3 billion in 1970 to about \$52 billion in 1975, which are equal to 2.8 per cent and 5.7 per cent of world imports, respectively, in 1948 and 1975.

However, the experience of non-oil exporting countries has been rather different, and similar to the evolution of foreign trade of other developing nations. Their exports increased from \$2.6 billion in 1948 to \$6.1 billion in 1970 and \$15.4 billion in 1975 – but their relative share in total world exports continued to decline from 4.5 per cent in 1948 to 1.9 per cent in 1970 and 1.7 per cent in 1975. The imports of these countries showed a faster growth rate than their exports – rising from \$3.1 billion in 1948 to \$7.7 billion in 1970 and \$29.2 billion in 1975. As a result the relative share of their imports, in the world's total, which had declined from 4.9 per cent to 2.3 per cent, between 1948 and 1970, rose to 3.3 per cent in 1975 (involving a rate of growth somewhat higher than that of other developing nations).

Looking at the evolution of the foreign trade of Muslim countries from the point of view of relative importance of each group, it may be noted that the share of oil exporters in the total imports of Muslim countries rose from 37 per cent in 1948 to 52 per cent in 1970 and 64 per cent in 1975 – indicating a corresponding decline in the share of non-oil exporting countries. Exports registered an even greater shift in relative importance, the share of oil exporters going up from 45 per cent in 1948 to 71 per cent in 1970 and 87 per cent in 1975 – as compared with the decline in the share of other Muslim countries from 55 per cent in 1948 to 13 per cent in 1975.

The foregoing divergent trend was also pronounced in the trade balances of the Muslim countries. While there was a striking improvement in the trade balance of the oil-exporting group, the situation deteriorated sharply for other countries as indicated by balance of payment figures (given in Table 1) and foreign trade returns (provided in Table 2). According to the latter data, while exports covered 84 per cent of imports of non-oil exporters in 1948 and 79 per cent in 1970, they met only 53 per

cent of their import costs in 1975. On the other hand, the trade surplus of oil exporting nations rose from the equivalent of 14 per cent of their exports in 1948 to 45 per cent in 1970 and 48 per cent in 1975 – about 75 per cent of this surplus attributable to high income oil exporting countries in 1975.

With the exception of petroleum, the evolution of the foreign trade of the Muslim countries reflects the conditions of international trade for developing nations as a whole. With reference to exports these countries have faced the weakness of commodity markets – as regards both demand and prices – and restrictions on exports of manufacturers from developing countries in industrial nations. It may be noted that over a period of 20 years, ending in the early 1970's, the volume of trade in primary commodities (excluding petroleum) increased an average of 4.5 per cent per annum as against 7.5 per cent growth for the world trade as a whole – the corresponding figures for value of trade being 5 per cent and 8.5 per cent. Imports, on the other hand, have been affected by increasing requirements for capital goods, rising food demand, a growing need for intermediate and other imports as well as their rapidly rising prices.

This development also reflects the international economic structure and division of labour, which are unfavourable to developing countries – and hence their struggle for the restructuring of the international economic system and the establishment of a new international economic order.

Direction of Foreign Trade

As stated earlier, the foreign trade of Muslim countries is carried out mainly with industrial nations, which have continued to strengthen their relative positions, especially as regards imports of Muslim nations. Trade with developing countries, including the oil exporting nations, which constitute the second-ranking trading partners of the Muslim countries, has continued to expand rapidly, but its share has changed very little in recent years. On the other hand, trade with centrally planned economies, which made considerable progress during the 1960's, has declined in its relative position during the first half of the present decade.

Tables 3A and 3B contain data on exports and imports of Muslim nations by major groups of countries, for 1970 and 1975. The breakdown of these data, by individual Muslim countries, is given in Tables 4A and 4B for exports and in Tables 5A and 5B for imports. Developed countries accounted for 73.5 per cent of exports of the Muslim nations in 1970 and 75.8 per cent in 1975. The bulk of these exports consists of petroleum, the demand for which continued to remain strong despite the readjustments of its price in 1973–74. The share of developed countries in

exports of non-oil exporting Muslim countries was lower than for oil exporters, accounting for 55 per cent for the former countries as compared with 79 per cent for the latter in 1975. In terms of value, exports of Muslim nations to developed countries rose from \$15.5 billion to \$87.0 billion between 1970 and 1975 – the share of oil exporters in the total of such exports increasing from 79 per cent in 1970 to 90 per cent in 1975.

As regards imports, the share of developed countries, rose from 71 per cent to 76 per cent (or from \$11.3 billion to \$61.1 billion) between 1970 and 1975 – the major part of the increase resulting from imports by oil exporting countries. Even for non-oil Muslim nations, the developed countries played a more important role in their imports as compared with their exports – 70 per cent versus 55 per cent in 1975. With continuation of this trend in recent years, the trade deficit of non-oil exporting Muslim countries with developed nations rose sharply from \$1.8 billion in 1970 to \$12.0 billion in 1975, while the trade surplus of oil-exporters with the same group went up from \$4.2 billion to \$25.9 billion during the same period.

Concerning the trade of Muslim countries with developing nations (including Muslim countries), exports to the latter group jumped from \$3.8 billion to \$23.7 billion between 1970 and 1975 – again largely due to the increase in exports by oil-exporting nations, which raised their exports from \$2.2 billion to \$19.2 billion. Imports of Muslim nations from the Third World, on the other hand, while rising sharply, showed a somewhat lower rate of growth as compared with exports – increasing from \$2.9 billion to \$14.3 billion, between 1970 and 1975. This situation led to a greater deterioration in the balance of trade of developing countries with Muslim nations – their deficit increasing from \$0.9 billion in 1970 to \$9.4 billion in 1975. In fact, the trade deficit of the non-oil developing countries with Muslim oil exporters increased from \$850 million in 1970 to \$11.0 billion in 1975, despite a great effort by the latter to increase their imports from them. Oil exporters have extended assistance to most of these countries, directly or through multilateral channels, to enable them to continue their energy imports, especially in the case of those that have faced deterioration in the terms of trade or balance of payments.

Expansion of trade of Muslim with Centrally Planned Economies had lost momentum, and as mentioned earlier, declined in relative importance – exports to them from 6.7 per cent of total exports of Muslim countries to 3.3 per cent, and imports from them in total Muslim imports from 9.8 per cent to 6.0 per cent between 1970 and 1975. However, in terms of current prices, Muslim exports to these countries increased from \$1.4 billion in 1970 to \$3.8 billion in 1975 – only 37 per cent of this trade originating in oil countries, which indicates the relative self-sufficiency

of these groups of countries in meeting their own energy requirement, mainly through intra-group trade in the past. Despite this, exports of oil countries to this group increased from \$295 million in 1970 to \$1.4 billion in 1975, reflecting largely the oil price readjustment. The rate of increase of exports from other Muslim countries to this group, in terms of value, was much less – i.e. from \$1.1 billion to \$2.4 billion between 1970 and 1975.

Imports of Muslim countries from the Centrally Planned Economies showed a three-fold increase at current prices – from \$1.6 billion in 1970 to \$4.8 billion in 1975. The oil exporters accounted for 46 per cent of this trade, and unlike other groups with which it had trade surpluses, showed a deficit with this group – rising from \$205 million in 1970 to \$786 million in 1975. There was also a deficit of \$240 million in trade of other Muslim countries with this group in 1975, as against a surplus of \$39 million in 1970.

Trade Among Muslim Countries

Inter-Muslim trade constitutes only a small portion of total foreign trade of Muslim countries, and despite its considerable increase in recent years, it has declined in relative importance. This trade, looking at it as exports of each Muslim country to other Muslim countries, increased from \$1,350 million in 1970 to \$6,100 million in 1975 – at f.o.b. prices (see Table 6). But considering it as imports, the increase was from \$1,535 million to \$7,115 million during the same period (at c.i.f. prices) – the differences reflecting mainly the cost of freight and insurance. In relative terms, the share of inter-Muslim exports in the total of their exports declined from 6.4 per cent to 5.3 per cent, and the share of imports from 9.6 per cent to 8.8 per cent between 1970–1975.

Similar to the general trend of a sharp rise in their foreign trade, the oil-exporting Muslim countries increased their trade with other Muslim countries much more rapidly – their exports and imports rising 5 times between 1970 and 1975 as compared with corresponding rise of 4.2 times for exports and imports of non-oil countries to Muslim countries. This situation led to the strengthening of oil exporters in inter-Muslim trade, from 53 per cent to 59 per cent for exports and from 45 per cent to 48 per cent for imports during the period 1970–75.

It must be noted that this inter-Muslim trade also covers re-exports, which include the goods not originating in Muslim countries or the goods not destined for utilisation in these countries. Such re-exports, comprising goods with limited value added from transformation in case of raw material trade, account for between 40 and 50 per cent of the inter-Muslim trade.

Composition of Foreign Trade

The composition of exports and imports of Muslim countries reflect their economic structure, their stage of development, their priorities in resource allocation and the problems of international trade. Considering the predominant role of agriculture and/or mining in their economies together with the early stage of their industrial development and the restrictions involved in exports of manufactured goods, the exports of Muslim countries consist largely of minerals, agricultural raw materials and foodstuffs. Their imports, on the other hand, comprise mainly capital goods and other industrial products (for input or consumption), followed by foodstuffs and some raw materials for their expanding industries.

Tables 7–10 provide data on composition of exports and imports as well as their breakdown by major commodities or commodity groups for Muslim countries with their division into oil exporting and other countries, covering the years 1970 and 1974. Drastic changes can be noted in Tables 7 and 8 in the structure of exports of the Muslim countries. In 1970, these exports consisted of 62 per cent, mineral fuels; 18 per cent, raw materials; 10 per cent, food and beverages; and 10 per cent industrial goods (largely non-ferrous metals); but in 1974 the share of mineral fuel had increased to 85 per cent, while the share of all other commodity groups had declined to 8 per cent for raw materials; 3 per cent for food and beverages; and 4 per cent for industrial goods.

Undoubtedly, this structural change, in terms of value, was largely the result of the readjustment in oil prices, but it was also due to the expansion of the domestic market for other products and the world economic recession which reduced the exports of food, raw materials and other commodities. In fact, in non-oil Muslim countries, while the share of exports of mineral fuel during the period under consideration rose from 7 to 11 per cent, the share of food declined from 21 to 18 per cent, and the share of raw materials from 46 to 45 per cent whilst the share of industrial goods remained constant at 26 per cent due to increasing volume of re-exports of goods imported from industrial countries and exported to other Muslim nations.

With respect to imports, their composition and major breakdown are given in Tables 9 and 10. Industrial goods accounted for 72 per cent of total imports of Muslim countries in 1970; food for 15.5 per cent; raw materials for 7 per cent; and fuel for 5.5 per cent. However, by 1974, the share of imports of industrial goods and raw materials had declined respectively to 69.3 and 6.2 per cent; while the share of food and fuel had increased to 17.4 and 7.1 per cent respectively.

There were naturally some differences between the composition of

imports of oil exporting and other Muslim countries, which reflected differences in their economic structure, allocation of resources and other factors. In 1974, industrial goods accounted for 76 per cent of imports of oil countries as compared with 61 per cent for others; food 16 per cent versus 20 per cent; raw materials 5 per cent against 8 per cent; and fuel 4 per cent compared to 11 per cent.

The available data on the composition of exports and imports of Muslim countries and their recent changes indicate the increasing deterioration and vulnerability of these nations in their foreign trade. Dependence on petroleum exports has reached its highest limits, while the proved reserves are depleting very rapidly and most of it will be exhausted by the end of this century. Exports of other raw materials, with the major exception of tin, suffer from the weakness and instability of international markets. There are many obstacles, on the sides of both supply and demand, restricting exports of manufactured goods – even the export of those in which the Muslim countries do have absolute advantage for production and exports to the world markets. Similarly the dependence of the Muslim countries continues to increase on imports of foodstuffs, fuel and especially industrial goods at rising prices. It should be noted that the imports of Muslim countries, as a whole, increased by \$31.1 billion (from \$15.4 billion to \$46.5 billion) between 1970 and 1974 – of which 68 per cent was due to increase in price and volume of industrial goods; 18 per cent, food; 8 per cent, fuel; and 6 per cent, raw materials.

The corresponding price and volume of imports for non-oil countries was \$13.4 billion – resulting from 59 per cent for industrial goods; 21 per cent for food; 13 per cent for fuel; and 7 per cent for raw materials.

Terms of Foreign Trade

There are no comprehensive data available on terms of foreign trade of Muslim countries, with the exception of some incomparable figures for a few countries. However, a number of international organisations such as UNCTAD, IMF and the World Bank collect data on movement of commodity prices in international markets and also on price or unit value indices of imports and exports, which enable the construction of terms of trade for groups of countries. OPEC has also started recently compiling data and constructing import price indices for oil exporting countries.

Table 11 presents, on the basis of UNCTAD data, unit value indices of exports and imports, terms of trade and index of purchasing power of exports for major groups of countries – namely, developed countries, oil exporting nations and other developing countries. The data covers the

period of 1960–1975, and takes the 1954–56 average as equal to 100, except for oil exporting countries, for the exports of which the base year is taken to be 1948. It may be assumed that the trend presented in this table would also be, more or less, valid for a comparable group of the Muslim countries.

It is seen from the data that the trend in unit value of exports and imports of all the three major groups of countries has continued to increase – the growth being accelerated after 1970, which reflects the inflationary pressures originating in developed countries. However, with respect to exports the increase in unit value of exports of oil exporting and other developing countries have always lagged behind the corresponding increase for developed nations except for the years 1974 and 1975 for oil exporters and only the year 1974 for other developing countries. As regard imports also similar unfavourable conditions may be detected, throughout 1960–1975, by higher unit values for imports of both oil exporting and other developing countries as compared with unit value imports of developed nations.

This unfavourable development for the Third World has led countries to a deterioration in their terms of trade, with the exception of 1974–1975 for oil exporting countries. On the basis of 1954–56 average base period as equal to 100, the terms of trade of non-oil developing countries fluctuated between 79 and 94, the index having sharply declined from 88 in 1974 to 80 in 1975, due to sharply rising prices of industrial goods and declining prices of raw materials. Such a deterioration amounted to the loss of approximately \$14 billion (equal to 10 per cent of the value of imports of non-oil developing nations) for these countries in 1975 alone from the year earlier – and a loss of about \$28 billion on the basis of 1954–56 prices. This situation has been similar for oil exporting nations until 1973. During the period 1960–73 their index of terms of trade varied between 76 and 93, but this untenable situation prompted the Governments of oil exporting countries to take action through OPEC for safeguarding their interest against imported inflation from the industrial nations and realigning the oil prices with the production cost of alternatives – which would in turn encourage oil conservation for more noble uses and provide incentive for development of other energy resources. As a result of the readjustment of oil prices in 1973–74, the terms of trade of oil exporters increased from 88 in 1973 to 218 in 1974, but declined to 200 in 1975 because of more rapidly rising prices of industrial goods.

The foregoing unacceptable situation has obliged the Third World countries to intensify their efforts, especially after the recent OPEC successes, for the restructuring of the international trade system. The Sixth and Seventh Special Sessions of the United Nations General

Assembly, the Fourth UNCTAD, the North-South Dialogue of Paris – and many other international endeavours have been devoted to this major task. Undoubtedly, the struggle will continue in the future for the reorganisation of commodity markets, through such schemes as the UNCTAD'S integrated programme for commodities, including the establishment of a Common Fund for buffer stock financing, commodity agreements, domestic reprocessing of raw materials, compensatory financing of export shortfalls, etc. Similarly, efforts are expected to continue for achieving concessions and liberal treatment by developed countries for exports of manufactures from developing nations.

Table 12 is given to show changes in prices of various major commodities of interest to developing countries as well as the index of unit value of manufactures, exported by developed nations. The foregoing trends of unit value are also confirmed by these prices.

Balance of Payments

As developing countries with low income and foreign exchange savings, the Muslim nations, as a whole, relied to a considerable extent on transfer of real foreign resources from outside for acceleration of their development. This was achieved through foreign direct investment, external borrowing (mainly by public sectors), and foreign aids and grants. With the increasing volume of oil exports from a number of Muslim countries and their price readjustment, the oil exporting countries experienced considerable surpluses in their balance of payments in recent years – this is expected to persist in the years to come, causing perhaps some problems both for the countries concerned and for the international community. However, it must be noted that these surpluses result from the production and export of oil from a few countries with small population and low absorption capacity of their income beyond their own needs; and they represent the transformation of real assets into financial assets – perhaps at one-half of their replacement costs at the present time.

Tables 13 and 14 provide data on balance of payments of the Muslim countries. According to Table 13, the current account balance of the Muslim countries as a whole, following a deficit of \$1.2 billion in 1970 and small surpluses in 1971–73, showed a large surplus of \$55 billion in 1974 – declining to \$24 billion in 1975 by increasing absorption capacity in oil countries for investment and expenditure. However, these surpluses originated only in oil exporting countries, while the current account balances of other Muslim countries continued to show increasing deficits (\$6.5 billion in 1975 as compared with \$13 billion in 1970) with the exception of 1973, when they benefited from a considerable rise in prices of their commodity exports and registered a small surplus of

\$400 million. The Middle and Low Income Oil Countries, which historically, were deficit countries but experienced surpluses after 1973, gradually returned to their deficit position, their surpluses declining from \$21 billion in 1974 to \$2.5 billion in 1975 and most of them resorted to international borrowing in 1976. On the other hand the surpluses of High Income Oil Countries continued at high levels within the range of \$30 billion to \$35 billion in more recent years.

It may be noted that High Income Oil Countries, while benefiting from large trade surpluses, their service receipts and payments were in deficit, and there were also large transfers abroad from these countries. The Middle and Low Income oil countries, on the other hand, showed much larger deficits in their service operations and very little deficit or surplus in their transfers. The other Muslim nations, however, experienced large deficits in their trade, small deficits in their services, but substantial surpluses in their transfers.

Capital accounts of the Muslim countries showed substantial deficits for High Income Oil Countries in recent years; mixed performance for the Middle and Low Income Oil Countries (their surpluses turning into deficits between 1973 and 1975); and increasing surpluses for non-oil countries – rising from \$1.5 billion in 1970 to \$4.7 billion in 1975. In fact capital outflow from oil exporters jumped to \$14 billion in 1974 and \$11 billion in 1975.

The net result of balance of payments accounts was to increase the foreign assets, especially foreign reserves, of the Muslim countries. Even non-oil countries improved, substantially, their position in the recent past, with the exception of 1974 and 1975. Middle and Low Income Oil Countries also experienced a deficit of \$2.9 billion in their overall balance in 1975 after the surpluses of previous years. Consequently the foreign reserves of oil countries jumped from \$4.1 billion to \$57.2 billion between the end of 1970 and 1976, as compared with the corresponding rise for non-oil countries from \$2.7 billion to \$9.5 billion. This resulted in an increase in the share of Muslim countries in the world's total foreign reserves from 7.3 per cent in 1970 to 26.2 per cent in 1975. In addition to their foreign reserves, a number of Muslim countries had made, and continue to make, substantial investments abroad, especially in industrial market economies, where they can acquire reasonable returns and safety for their assets. However, there will always remain certain political and economic risks for these assets as shown by past international financial experiences.

Another aspect of the balance of payments of the Muslim countries is their increasing external public indebtedness and the rising burden of their foreign debit servicing. The disbursed external public debt of the Muslim countries increased from \$16.5 billion to \$34.7 billion between

the end of 1970 and 1974 and their total servicing from \$1.7 billion in 1970 to \$3.8 billion in 1974. The High Income Oil Countries had no external public debt, but such indebtedness of Middle and Low Income Oil Countries rose from \$6.8 billion in 1970 to \$17.1 billion in 1974 – a much faster rise than that of non-oil countries. It should also be stated that the terms and conditions of these foreign loans continued to deteriorate, especially for the oil exporting countries. In order to assist the developing nations, especially the non-oil deficit Muslim countries, the oil exporters have extended to them substantial amounts of loans and credits, at easy terms, and grants. Such assistance has amounted to nearly 3 per cent of GNP of oil countries in recent years (as against 0.35 per cent from developed countries to developing nations), and is carried out either directly or through multilateral schemes. For this purpose the oil countries have set up, within the OPEC umbrella, a special fund for assistance to developing countries, have sponsored the establishment of an International Fund for Agricultural Development, have pledged substantial contribution to the UNCTAD Common Fund, have been making contribution to IDA resources and IMF Trust Fund, and participating in IBRD and IMF schemes for transfer of resources to developing countries. In addition, the oil countries have set up elaborate organisations themselves for such assistance, and it is hoped that they will continue to expand it in future, especially those which are in a better position to do so.

TABLE I
Population, GNP, Foreign Trade, Balance of Payments, and External Public Indebtedness of Muslim Countries

Description	Unit	Oil Exporting Countries				Other Countries			
		High income ¹	Middle income ²	Low income ³	Total	Middle income ⁴	Low income ⁵	Total	Grand Total
POPULATION									
Total, mid-1975	million	14.7	61.4	205.1	281.2	88.2	269.7	357.9	639.1
Growth rate, 1965-73	per cent	2.9	3.3	2.2	2.5	2.5	2.5	2.5	2.5
GNP, MARKET PRICE									
Total, 1975	billion \$	67.2	81.3	55.2	203.7	67.5	45	112.5	316.2
Per capita average, 1975	dollars	4,576	1,322	269	724	765	167	314	495
Growth rate, 1965-73	per cent	155	104	96	104	64	27	48	83
Growth, annual rate, 1965-73	per cent	12.4	9.3	8.8	9.3	6.4	3	5	7.8
Growth, per capita, annual, 1965-73	per cent	9.5	6	6.6	6.8	3.9	0.5	2.5	5.3
EXPORTS									
Total, 1970	billion \$	7.9	4.7	2.4	15	3.4	2.7	6.1	21.1
Total, 1975	billion \$	53.4	30.9	15	99.3	9.9	5.5	15.4	114.7
Growth, 1970-75	per cent	574	557	524	561	195	104	155	444
Share of GNP, 1975	per cent	79.5	38	27.1	48.8	14.7	12.3	13.7	36.3
Per capita export, 1975	dollars	3,638	503	73	353	113	20	43	180
IMPORTS									
Total, 1970	billion \$	2.7	3.5	2.1	8.3	4.4	3.3	7.7	16
Total 1975	billion \$	19.4	20.9	11.2	51.5	17.1	12.2	29.3	80.8
Growth, 1970-75	per cent	618	492	444	521	292	267	281	405
Share of GNP, 1975	per cent	28.9	25.7	20.2	25.3	25.3	27.2	26.1	25.6
Per capita imports, 1975	dollars	1,322	340	55	183	194	45	82	126

TABLE I continued

Description	Unit	Oil Exporting Countries			Other Countries					
		High income ¹	Middle income ²	Low income ³	Total	Middle income ⁴	Low income ⁵	Total	Grand Total	
TRADE BALANCE										
Total, 1970	billion \$	+ 3.4	+ 1.2	+ 0.4	+ 5	- 0.8	- 1.3	- 2.1	+ 2.9	
Total, 1975	billion \$	+ 34.7	+ 7.6	+ 4.6	+ 46.9	- 5.6	- 6.5	- 12.1	+ 34.8	
CURRENT ACCOUNT BALANCE										
Total, 1970	billion \$	+ 1.3	- 0.5	- 0.7	+ 0.1	- 0.3	- 1	- 1.3	- 1.2	
Total, 1975	billion \$	+ 27.6	+ 3.8	- 0.8	+ 30.6	- 2.6	- 3.9	- 6.5	+ 24.1	
CAPITAL FLOWS										
Total, 1970	billion \$	- 0.2	+ 0.3	+ 0.6	+ 0.7	+ 0.7	+ 0.8	+ 1.5	+ 2.2	
Total, 1975	billion \$	- 6.5	- 4.9	+ 0.5	- 10.9	+ 2.2	+ 2.5	+ 4.7	- 6.2	
FOREIGN RESERVES										
Total, end of 1970	billion \$	2.67	1.02	0.38	4.07	1.99	0.73	2.72	6.79	
Total, end of 1975	billion \$	28.88	12.92	6.39	48.19	6.24	1.73	7.97	56.16	
Share of imports, 1970	per cent	98.7	29	18.5	49.2	45.7	21.8	35.3	42.5	
Share of imports, 1975	per cent	148.7	61.9	57.1	93.6	36.5	14.1	27.2	69.5	
INDEBTEDNESS, EXTERNAL, PUBLIC										
Outstanding disbursements, 1970	billion \$	—	3.47	3.36	6.83	3.73	5.95	9.68	16.51	
Outstanding disbursements, 1974	billion \$	—	10.50	6.65	17.15	7.03	10.52	17.55	34.7	

Source: Compiled from data published by the United Nations, UNCTAD, IBRD and IMF.

² Comprising Algeria, Gabon, Iran and Iraq.

³ Comprising Indonesia and Nigeria.

⁴ Comprising Jordan, Lebanon, Malaysia, Comprising Indonesia and Nigeria.

⁵ Comprising Afghanistan, Bangladesh, Cameroon, Chad, Egypt, Gambia, Guinea, Jordan, Lebanon, Malaysia, Morocco, Syria, Tunisia and Turkey.

Upper Volta, Yemen A.R. and Yemen P.D.R.
 * Comprising Afghanistan, Bangladesh, Cameroon, Chad, Egypt, Gambia, Guinea, Mali, Mauritania, Niger, Pakistan, Senegal, Somalia, Sudan,

TABLE 2

Imports and Exports of Muslim Countries within World Trade, 1938-75 (Selected Years) (In billion US dollars)

<i>Imports</i>							
<i>Year</i>	<i>Oil-exporting countries</i>	<i>Other Muslim countries</i>	<i>Total Muslim countries</i>	<i>Other developing countries</i>	<i>Centrally planned economies</i>	<i>Developed countries</i>	<i>Grand Total</i>
1938	0.7	0.7	1.4	4.4	1.7	17.9	25.4
1948	1.8	3.1	4.9	13.7	3.7	41.2	63.5
1958	3.7	3.9	7.6	20.0	12.8	74.1	114.5
1968	6.2	6.7	12.9	32.5	27.7	179.3	252.4
1970	8.3	7.7	16.0	40.3	34.7	237.6	328.6
1972	12.1	10.0	22.1	49.1	45.9	312.1	429.2
1973	17.9	13.8	31.7	64.8	62.1	429.8	588.4
1974	31.1	22.8	53.9	101.3	78.7	611.5	845.4
1975	51.5	29.2	80.7	112.3	90.0	615.0	898.0
<i>Exports</i>							
1938	0.8	0.7	1.5	4.5	1.6	15.1	22.7
1948	2.1	2.6	4.7	12.5	3.7	36.6	57.5
1958	5.1	3.2	8.3	16.6	12.3	71.4	108.6
1968	11.5	5.2	16.7	27.0	27.3	168.7	239.7
1970	15.0	6.1	21.1	34.2	33.4	224.7	313.4
1972	23.0	7.4	30.4	45.3	43.2	298.2	417.1
1973	35.5	10.8	46.3	65.3	57.8	407.9	577.3
1974	110.4	15.0	125.4	91.4	70.9	554.8	842.5
1975	99.3	15.4	114.7	87.5	91.9	585.0	879.1

Source: Compiled from data published by the UN and IMF.

TABLE 3A*Exports and Imports of Muslim Countries by Major Groups of Countries, 1970 (in millions of US dollars)*

From	To Developed Countries	Centrally Planned Economies	Oil Exporting Countries	Other Developing Countries	Not Specified	Total
EXPORTS						
Oil Exporting Countries	12,217	295	230	1,999	289	15,030
Other Countries	3,303	1,109	339	1,246	71	6,068
TOTAL	15,520	1,404	569	3,245	360	21,098
IMPORTS						
Oil Exporting Countries	6,258	500	243	1,149	141	8,291
Other Countries	5,058	1,070	535	959	81	7,703
TOTAL	11,316	1,570	778	2,108	222	15,994
BALANCE						
Oil Exporting Countries	5,959	-205	-13	850	148	6,739
Other Countries	-1,755	39	-196	287	-10	-1,635
TOTAL	4,204	-166	-209	1,137	138	5,104

Source: Compiled from data published by IMF.

TABLE 3B*Exports and Imports of Muslim Countries by Major Groups of Countries, 1975 (in millions of US dollars)*

From	To Developed Countries	Centrally Planned Economies	Oil Exporting Countries	Other Developing Countries	Not Specified	Total
EXPORTS						
Oil Exporting Countries	78,537	1,405	1,408	17,770	204	99,324
Other Countries	8,436	2,373	1,703	2,792	130	15,434
TOTAL	86,973	3,778	3,111	20,562	334	114,758
IMPORTS						
Oil Exporting Countries	40,663	2,191	1,426	6,787	425	51,492
Other Countries	20,390	2,613	2,539	3,515	164	29,221
TOTAL	61,053	4,804	3,965	10,302	589	80,713
BALANCE						
Oil Exporting Countries	37,874	-786	-18	10,983	-221	47,832
Other Countries	-11,954	-240	-836	-723	-34	-13,787
TOTAL	25,920	-1,026	-854	10,260	-255	34,045

Source: Compiled from data published by IMF.

TABLE 4A*Exports of Muslim Countries to Econ. Groups of Countries, 1970 (in millions of US dollars)*

Countries	Developed Countries	Centrally Planned Economies	Oil Exporting Countries	Other Developing Countries	Total Exports
OIL EXPORTING COUNTRIES					
Algeria	835.8	89.5	2.4	68.1	1,008.8
Bahrain	119.9	—	10.9	30.8	161.6
Brunei	16.4	—	—	84.8	101.2
Gabon	82.9	0.6	1.2	35.2	121.2
Indonesia	801.0	2.4	—	273.5	1,108.3
Iran	1,907.0	106.0	32.0	420.0	2,465.0
Iraq	844.0	48.8	12.1	192.7	1,105.2
Kuwait	1,596.7	1.4	21.5	300.8	1,920.4
Libya	2,269.4	1.6	0.4	86.0	2,365.6
Nigeria	1,094.3	44.3	0.1	97.0	1,235.7
Oman	416.7	—	2.0	2.5	421.3
Qatar	197.4	—	0.9	9.1	207.4
Saudi Arabia	1,746.0	—	139.0	375.0	2,430.0
U.A.E.	289.4	—	7.8	23.2	320.4
TOTAL	12,216.9	294.6	230.3	1,998.7	15,029.7
OTHER COUNTRIES					
Afghanistan	28.0	33.5	0.7	21.1	84.6
Bangladesh	—	—	—	—	—
Cameroon	200.7	8.7	7.6	14.3	231.4
Chad	21.9	—	1.8	5.9	29.7
Egypt	152.0	480.7	28.3	110.8	773.5
Gambia	14.4	—	—	0.3	14.7
Guinea	40.1	1.2	—	0.5	42.4
Jordan	0.1	3.4	11.6	10.6	34.1
Lebanon	31.2	12.1	79.3	45.1	183.3
Malaysia	964.2	124.4	42.6	555.6	1,686.8
Mali	10.2	0.7	0.4	22.1	35.5
Mauritania	76.0	—	0.2	2.4	90.1
Morocco	384.5	52.3	18.0	25.1	482.7
Niger	20.6	—	6.4	4.5	31.7
Pakistan	355.7	135.9	59.7	172.4	723.7
Senegal	110.2	0.1	—	34.2	151.5
Somali	8.5	—	16.7	4.2	31.3
Sudan	146.9	84.6	8.4	54.5	298.4
Syria	84.0	56.7	12.4	49.9	203.0
Tunisia	125.0	20.9	25.6	10.0	183.9
Turkey	430.4	92.9	16.2	49.0	588.5
Upper Volta	8.3	0.4	0.1	9.3	18.8
Yemen A.R.	0.4	0.9	—	1.5	2.8
Yemen P.D.R.	89.6	0.1	3.2	42.7	145.7
TOTAL	3,302.9	1,109.5	339.2	1,246.0	6,068.1
GRAND TOTAL	15,519.8	1,404.1	569.5	3,244.7	21,097.8

Source: Compiled from data published by IMF; total exports include unspecified countries.

TABLE 4B

Exports of Muslim Countries to Econ. Groups of Countries, 1975 (in millions of US dollars)

Countries	Developed Countries	Centrally Planned Economies	Oil Exporting Countries	Other Developing Countries	Total Exports
OIL EXPORTING COUNTRIES					
Algeria	3,880.9	362.1	14.4	180.5	4,438.0
Bahrain	622.9	15.0	185.9	254.5	1,107.3
Brunei	947.9	—	—	147.0	1,094.9
Gabon	818.6	4.0	0.3	230.2	1,053.2
Indonesia	5,418.0	6.8	8.0	1,507.8	6,981.7
Iran	15,161.0	394.0	108.0	2,620.0	18,283.0
Iraq	4,738.1	418.1	18.7	1,948.5	7,123.4
Kuwait	5,701.2	20.7	397.2	2,429.9	8,740.4
Libya	4,816.8	47.8	—	912.3	5,706.9
Nigeria	6,584.1	136.8	0.3	1,265.8	7,999.3
Oman	1,240.4	—	4.7	121.8	1,366.9
Qatar	1,016.7	—	36.0	427.9	1,480.3
Saudi Arabia	22,083.0	—	589.0	5,538.0	28,210.0
U.A.E.	5,507.0	—	45.0	186.3	5,738.3
TOTAL	78,536.6	1,405.3	1,407.5	17,770.5	99,323.6
OTHER COUNTRIES					
Afghanistan	69.2	41.4	9.3	43.3	163.2
Bangladesh	147.8	51.5	28.7	108.3	336.3
Cameroon	340.2	43.5	27.2	35.6	446.5
Chad	38.7	—	13.7	6.4	60.3
Egypt	452.7	850.0	107.7	140.6	1,551.0
Gambia	47.9	—	—	1.8	49.7
Guinea	109.9	10.5	3.9	14.6	138.9
Jordan	12.4	19.5	44.2	40.0	152.8
Lebanon	179.9	140.0	600.9	248.7	1,169.3
Malaysia	2,241.8	242.2	127.6	1,194.0	3,805.6
Mali	18.0	12.8	2.3	20.9	54.0
Mauritania	196.8	3.5	3.1	10.1	213.5
Morocco	1,056.8	323.7	56.9	127.3	1,572.5
Niger	68.8	—	0.8	4.1	73.7
Pakistan	374.1	88.3	275.7	326.4	1,064.5
Senegal	329.1	0.6	4.6	78.3	412.6
Somali	15.0	4.8	44.2	15.2	79.2
Sudan	259.9	129.6	44.8	64.5	498.8
Syria	574.0	196.1	63.7	57.4	963.9
Tunisia	635.7	72.1	95.1	45.0	857.5
Turkey	985.8	131.5	132.4	151.2	1,400.9
Upper Volta	18.3	0.3	—	22.4	41.0
Yemen A.R.	2.9	5.8	0.6	1.6	10.9
Yemen P.D.R.	260.6	5.2	16.0	48.1	330.0
TOTAL	8,436.2	2,372.9	1,703.4	2,805.8	15,448.6
GRAND TOTAL	86,972.8	3,778.2	3,110.9	20,576.3	114,772.2

Source: Compiled from IMF data; total exports include unspecified countries.

TABLE 5A

Imports of Muslim Countries from Econ. Groups of Countries, 1970 (in millions of US dollars)

Countries	Developed Countries	Centrally Planned Economies	Oil Exporting Countries	Other Developing Countries	Total
OIL EXPORTING COUNTRIES					
Algeria	1,042.8	83.3	0.2	100.1	1,256.9
Bahrain	126.9	—	133.4	23.6	283.9
Brunei	29.9	3.3	—	45.3	78.5
Gabon	73.5	0.1	1.0	4.6	80.1
Indonesia	717.4	19.1	—	207.3	1,001.5
Iran	1,416.0	101.0	15.0	152.0	1,684.0
Iraq	267.1	136.9	3.8	97.2	505.0
Kuwait	435.6	52.1	22.2	112.0	621.9
Libya	416.2	19.7	1.1	73.2	554.8
Nigeria	895.7	63.7	2.9	89.8	1,058.7
Oman	141.2	—	18.5	5.2	164.9
Qatar	43.1	2.2	7.7	11.0	64.0
Saudi Arabia	457.0	19.0	29.0	205.0	710.0
U.A.E.	195.8	—	7.9	23.0	226.7
TOTAL	6,258.2	500.4	242.7	1,149.3	8,290.9
OTHER COUNTRIES					
Afghanistan	43.1	38.4	2.8	17.7	109.5
Bangladesh	—	—	—	—	—
Cameroon	209.1	5.2	10.3	17.6	242.0
Chad	38.2	1.1	8.1	15.4	65.0
Egypt	363.4	269.5	13.4	133.9	788.1
Gambia	13.7	3.6	0.3	2.8	20.4
Guinea	50.5	2.8	—	1.6	55.0
Jordan	101.5	25.2	8.4	40.1	183.7
Lebanon	359.0	66.5	40.0	68.9	534.6
Malaysia	823.3	106.6	201.2	267.3	1,401.0
Mali	25.4	9.0	0.7	9.7	44.8
Mauritania	35.1	1.0	1.0	3.3	55.9
Morocco	542.5	88.3	17.0	37.2	685.7
Niger	40.4	1.9	1.6	8.0	58.4
Pakistan	856.6	127.8	61.6	56.0	1,102.0
Senegal	142.6	4.6	4.2	33.7	190.7
Somali	27.4	4.1	2.0	8.7	45.1
Sudan	150.1	60.9	6.0	64.3	287.5
Syria	176.1	96.1	24.8	50.5	359.7
Tunisia	254.4	22.9	2.0	24.9	305.7
Turkey	697.0	118.3	46.3	27.0	888.6
Upper Volta	31.2	0.3	0.6	14.3	47.1
Yemen A.R.	14.8	5.4	0.6	10.9	31.7
Yemen P.D.R.	62.5	10.8	82.5	45.2	201.0
TOTAL	5,057.9	1,070.3	535.4	959.0	7,703.2
GRAND TOTAL	11,316.1	1,570.7	778.1	2,108.3	15,994.1

Source: Compiled from data published by IMF.

TABLE 5B

Imports of Muslim Countries from Econ. Groups of Countries, 1975 (in millions of US dollars)

Countries	Developed Countries	Centrally Planned Economies	Oil Exporting Countries	Other Developing Countries	Total
OIL EXPORTING COUNTRIES					
Algeria	5,385.6	348.6	6.5	642.6	6,383.2
Bahrain	429.6	39.7	645.2	74.4	1,188.9
Brunei	73.2	4.5	0.8	179.8	258.3
Gabon	547.8	3.4	0.6	37.9	589.8
Indonesia	3,676.1	70.5	36.8	1,094.6	5,159.3
Iran	8,662.0	601.0	123.0	960.0	10,346.0
Iraq	2,428.5	479.4	13.4	634.4	3,557.2
Kuwait	1,815.4	153.4	35.5	376.7	2,385.7
Libya	3,473.7	163.8	1.1	491.6	4,339.5
Nigeria	5,410.6	192.2	14.2	407.5	6,039.4
Oman	657.1	0.4	94.1	112.3	863.9
Qatar	481.6	12.8	27.6	60.1	582.1
Saudi Arabia	5,550.0	111.0	207.0	1,396.0	7,176.0
U.A.E.	2,071.5	10.7	220.6	319.5	2,622.3
TOTAL	40,662.7	2,191.4	1,426.4	6,787.4	51,491.6
OTHER COUNTRIES					
Afghanistan	155.1	48.6	40.3	49.0	293.1
Bangladesh	977.3	138.0	83.7	169.7	1,368.7
Cameroon	509.6	13.9	37.3	33.1	596.2
Chad	67.6	1.5	27.9	26.4	123.4
Egypt	3,386.8	590.9	31.6	337.1	4,346.4
Gambia	34.2	11.9	—	8.6	58.1
Guinea	123.3	8.8	0.2	19.9	154.3
Jordan	387.5	58.6	82.8	105.4	732.5
Lebanon	1,662.5	223.4	212.3	237.7	2,330.9
Malaysia	2,237.7	164.6	367.0	755.8	3,526.1
Mali	110.6	29.5	1.4	81.5	223.0
Mauritania	178.2	2.4	0.5	14.7	195.8
Morocco	1,838.0	265.6	175.2	346.7	2,631.2
Niger	130.1	2.1	12.5	19.5	164.2
Pakistan	1,352.5	177.2	417.5	243.0	2,190.2
Senegal	413.9	23.3	56.8	82.4	576.4
Somali	125.3	25.8	10.5	46.0	207.6
Sudan	668.4	105.9	26.8	206.4	1,007.5
Syria	1,033.0	300.9	72.7	245.4	1,702.7
Tunisia	1,167.0	75.3	89.2	84.3	1,421.8
Turkey	3,504.0	284.4	727.6	221.8	4,737.8
Upper Volta	100.5	5.8	1.2	38.9	146.4
Yemen A.R.	144.6	43.7	18.9	86.7	293.9
Yemen P.D.R.	82.5	10.4	164.8	54.5	312.2
TOTAL	20,390.2	2,612.5	2,658.7	3,514.5	29,341.4
GRAND TOTAL	61,052.9	4,803.9	4,085.1	10,301.9	80,833.0

Source: Compiled from data published by IMF.

TABLE 6A

Export Trade Among Muslim Countries, 1970 & 1975 (in million US dollars)

Countries	1970			1975		
	Oil Exporting Countries	Other Countries	Total	Oil Exporting Countries	Other Countries	Total
OIL EXPORTING COUNTRIES						
Algeria	2.4	4.7	7.1	4.1	11.1	15.2
Bahrain	10.9	3.3	14.2	185.9	22.3	208.2
Brunei	—	82.7	82.7	—	36.6	36.6
Gabon	1.1	5.3	6.4	0.1	38.4	38.5
Indonesia	—	36.3	36.3	8.0	120.4	128.4
Iran	32.0	71.0	103.0	108.0	134.0	242.0
Iraq	10.1	121.6	131.7	18.7	837.6	856.3
Kuwait	21.5	50.6	72.1	397.2	298.1	695.3
Libya	0.4	8.9	9.3	—	97.7	97.7
Nigeria	0.1	2.8	2.9	0.1	30.3	30.4
Oman	2.1	0.1	2.2	4.6	8.3	12.9
Qatar	0.9	2.4	3.3	36.0	3.8	39.8
Saudi Arabia	140.0	78.0	218.0	590.0	485.0	1,075.0
U.A.E.	7.8	22.5	30.3	45.0	74.3	119.3
TOTAL	229.3	490.2	719.5	1,397.7	2,197.9	3,595.6
OTHER COUNTRIES						
Afghanistan	0.7	7.5	8.2	9.3	22.4	31.7
Bangladesh	—	—	—	28.8	19.4	48.2
Cameroon	7.9	3.1	11.0	26.9	10.4	37.3
Chad	1.8	0.4	2.2	13.7	0.7	14.4
Egypt	27.6	48.6	76.2	107.6	56.3	163.9
Gambia	—	0.1	0.1	—	0.7	0.7
Guinea	—	0.2	0.2	3.9	6.7	10.6
Jordan	11.6	11.5	23.1	44.3	31.2	75.5
Lebanon	79.3	34.0	113.3	544.3	208.4	752.7
Malaysia	42.3	8.9	51.2	126.4	59.5	185.9
Mali	0.3	6.9	7.2	2.3	1.7	4.0
Mauritania	0.2	2.1	2.3	3.1	0.1	3.2
Morocco	17.9	6.0	23.9	56.8	61.9	118.7
Niger	6.4	0.5	6.9	0.8	0.4	1.2
Pakistan	59.6	32.0	91.6	275.4	79.1	384.5
Senegal	—	2.9	2.9	4.6	47.7	52.3
Somali	16.7	3.4	20.1	40.6	7.7	48.3
Sudan	8.4	18.3	26.7	44.6	26.2	70.8
Syria	12.3	48.4	60.7	63.8	55.2	119.0
Tunisia	25.5	2.2	27.7	95.0	31.6	126.6
Turkey	16.3	40.6	56.9	132.2	109.9	242.1
Upper Volta	0.1	0.6	0.7	—	1.2	1.2
Yemen A.R.	—	1.5	1.5	0.6	1.2	1.8
Yemen P.D.R.	3.2	14.1	17.3	16.0	18.3	34.3
TOTAL	338.1	293.8	631.9	1,641.0	857.9	2,498.2
GRAND TOTAL	567.4	784.0	1,351.4	3,078.7	3,055.8	6,094.5

Source: Compiled from data published by IMF.

TABLE 6B

Import Trade Among Muslim Countries, 1970 & 1975 (in million US dollars)

Countries	1970			1975		
	Oil Exporting Countries	Other Countries	Total	Oil Exporting Countries	Other Countries	Total
OIL EXPORTING COUNTRIES						
Algeria	0.2	3.7	3.9	6.3	54.2	60.5
Bahrain	133.3	7.8	141.1	645.1	13.0	658.1
Brunei	—	11.1	11.1	0.8	31.8	32.6
Gabon	0.1	1.6	1.7	0.6	22.9	23.5
Indonesia	—	20.7	20.7	36.8	46.7	83.5
Iran	16.0	60.0	76.0	124.0	214.0	338.0
Iraq	3.8	58.6	62.4	13.4	203.3	216.7
Kuwait	23.2	54.2	77.4	35.5	140.5	176.0
Libya	0.8	47.9	48.7	1.1	289.1	290.2
Nigeria	2.0	19.5	21.5	6.4	40.2	46.6
Oman	18.5	2.5	21.0	94.3	18.3	112.6
Qatar	7.7	5.5	13.2	27.6	35.0	62.6
Saudi Arabia	29.0	144.0	173.0	206.0	799.0	1,005.0
U.A.E.	7.9	7.5	15.4	220.6	115.7	336.3
TOTAL	242.5	444.6	687.1	1,418.5	2,023.7	3,442.2
OTHER COUNTRIES						
Afghanistan	2.8	3.8	6.6	40.3	14.0	54.3
Bangladesh	—	—	—	83.6	36.9	120.5
Cameroon	10.2	9.7	19.9	35.3	11.1	46.4
Chad	7.5	3.4	10.9	27.9	6.2	34.1
Egypt	13.3	47.3	60.6	31.6	143.0	174.6
Gambia	0.3	0.5	0.8	—	2.9	2.9
Guinea	—	1.2	1.2	2.3	16.2	18.5
Jordan	8.4	29.2	37.6	82.8	80.6	163.4
Lebanon	39.9	48.5	88.4	210.0	132.0	342.0
Malaysia	201.3	4.9	206.2	367.0	10.3	377.3
Mali	0.2	5.2	5.4	0.8	12.6	13.4
Mauritania	1.0	3.3	4.3	0.5	11.2	11.7
Morocco	15.2	12.6	27.8	175.3	17.8	193.1
Niger	2.8	3.3	6.1	21.3	3.1	24.4
Pakistan	61.5	33.2	94.7	417.5	94.9	512.4
Senegal	4.0	1.8	5.8	56.2	21.0	77.2
Somali	2.0	1.8	3.8	10.5	3.7	14.2
Sudan	6.1	18.2	24.3	26.7	67.9	94.6
Syria	24.8	42.6	67.4	72.6	125.5	198.1
Tunisia	2.0	4.9	6.9	89.2	25.3	114.5
Turkey	46.1	12.8	58.9	724.8	132.3	857.1
Upper Volta	0.2	3.0	3.2	0.3	4.9	5.2
Yemen A.R.	0.6	8.4	9.0	18.9	23.5	42.4
Yemen P.D.R.	83.6	14.0	97.6	164.8	13.4	178.2
TOTAL	533.8	313.6	847.4	2,660.2	1,010.3	3,670.5
GRAND TOTAL	776.3	758.2	1,534.5	4,078.7	3,034.0	7,112.7

Source: Compiled from data published by IMF.

TABLE 7

Composition of Exports of the Muslim Countries,¹ 1970 and 1974² (in millions of US dollars)

Item	1970			1974		
	Oil Exporting Countries	Other Countries	Total	Oil Exporting Countries	Other Countries	Total
0 Food	526	1,083	1,609	929	2,098	3,027
1 Beverages, Tobacco	157	143	300	204	316	520
2 Raw Materials	914	2,529	3,443	2,133	5,377	7,510
3 Fuel, Mineral	12,347	392	12,739	93,493	1,464	94,957
4 Animal, Vegetable Oil & Fat	118	184	302	395	782	1,177
5 Chemicals	81	100	181	551	289	840
6 Basic Manufactures	217	1,099	1,316	735	2,094	2,829
7 Machinery	51	136	187	174	406	580
8 Manufactured goods, others	36	147	183	83	675	758
9 Unclassified	33	58	91	93	77	170
TOTAL	14,480	5,871	20,351	98,790	13,578	112,368
<i>Percentages</i>						
0 Food	3.6	18.5	7.9	0.9	15.4	2.7
1 Beverages, Tobacco	1.1	2.4	1.5	0.2	2.3	0.5
2 Raw Materials	6.3	43.1	16.9	2.2	39.6	6.7
3 Fuel, Mineral	85.3	6.7	62.6	94.6	10.8	84.5
4 Animal, Vegetable Oil & Fat	0.8	3.1	1.5	0.4	5.8	1.0
5 Chemicals	0.6	1.7	0.9	0.6	2.1	0.7
6 Basic Manufactures	1.5	18.7	6.5	0.7	15.4	2.5
7 Machinery	0.4	2.3	0.9	0.2	3.0	0.5
8 Manufactured goods, others	0.2	2.5	0.9	0.1	5.0	0.7
9 Unclassified	0.2	1.0	0.4	0.1	0.6	0.2
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data given in the UN Yearbook of International Trade Statistics, 1974 and 1975.

¹ For country coverage see Table 4A.² For a few countries, data for earlier years have been used due to lack of up-to-date trade figures.

TABLE 8

Composition of Exports of Muslim Countries by Commodities 1970 and 1974 (in millions of US dollars)

Commodities	1970			1974		
	Oil Exporting Countries	Other Countries	Total	Oil Exporting Countries	Other Countries	Total
Fish & preparations	14	112	126	92	222	314
Cereals	12	134	146	37	429	466
Fruits & vegetables	112	354	466	177	958	1,135
Tea, coffee, cocoa	312	48	360	481	97	578
Oil seeds	526	117	643	110	197	307
Rubber	274	565	839	533	1,188	1,721
Wood lumber	154	289	443	791	683	1,474
Crude fertilisers	13	181	194	312	1,260	1,572
Cotton, wool & other fibres	80	1,038	1,118	91	1,390	1,481
Metallic ferrous	176	199	375	178	293	471
Petroleum & products	12,256	373	12,629	93,028	1,444	94,472
Natural gas	54	15	69	286	18	304
Vegetable oil & fats	118	182	300	395	772	1,167
Petroleum chemicals	—	—	—	268	—	268
Fertilisers	12	28	40	144	92	236
Textiles and yarns	82	544	626	191	946	1,137
Non-ferrous metals	55	355	410	355	691	1,046
Clothing	15	50	65	23	295	318
Miscellaneous	215	1,287	1,502	1,298	2,604	3,902
TOTAL	14,480	5,871	20,351	98,790	13,579	112,369

Source: Compiled from UN Yearbook of International Trade Statistics, 1974 and 1975.

TABLE 9

Composition of Imports of the Muslim Countries¹ in 1970 and 1974² (in millions of US dollars)

Item	1970			1974		
	Oil Exporting Countries	Other Countries	Total	Oil Exporting Countries	Other Countries	Total
0 Food	954	1,237	2,191	3,851	3,906	7,757
1 Beverages, tobacco	73	104	177	158	180	338
2 Raw materials	286	502	788	870	1,150	2,020
3 Fuel, mineral	249	592	841	998	2,313	3,311
4 Animal, vegetable oil & fat	107	179	286	343	515	858
5 Chemicals	685	812	1,497	2,170	2,177	4,347
6 Basic manufactures	2,243	1,481	3,724	7,114	4,217	11,331
7 Machinery	2,780	2,084	4,863	8,519	5,455	13,974
8 Manufactured goods, others	510	302	812	1,301	755	2,056
9 Unclassified	101	84	185	400	62	462
TOTAL	7,988	7,377	15,365	25,724	20,730	46,454
Percentages						
0 Food	11.9	16.8	14.3	15.0	18.8	16.7
1 Beverages, tobacco	0.9	1.4	1.2	0.6	0.9	0.7
2 Raw materials	3.6	6.8	5.1	3.4	5.6	4.4
3 Fuel, mineral	3.1	8.0	5.5	3.9	11.2	7.1
4 Animal, vegetable oil & fat	1.3	2.4	1.9	1.3	2.5	1.8
5 Chemicals	8.6	11.0	9.7	8.4	10.5	9.4
6 Basic manufactures	28.1	20.1	24.2	27.7	20.3	24.4
7 Machinery	34.8	28.3	31.6	33.1	26.3	30.1
8 Manufactured goods, others	6.4	4.1	5.3	5.1	3.6	4.4
9 Unclassified	1.3	1.1	1.2	1.5	0.3	1.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data given in the UN Yearbook of International Trade Statistics 1974 and 1975.

¹ For country coverage see Table 4A.² For a few countries, data for earlier years have been used due to lack of up-to-date trade figures.

TABLE 10

Composition of Imports of Muslim Countries by Commodities, 1970 and 1974 (in millions of US dollars)

Commodities	1970			1974		
	Oil Exporting Countries	Other Countries	Total	Oil Exporting Countries	Other Countries	Total
Dairy products & eggs	130	102	232	362	238	600
Cereals	296	607	903	1,795	1,744	3,539
Fruits & vegetables	113	125	238	597	234	610
Sugar	106	160	266	587	735	1,332
Tea, coffee, cocoa	127	148	275	207	349	556
Tobacco	54	79	133	129	140	269
Wood lumber	68	99	167	258	237	495
Cotton, wool & other fibres	68	111	179	349	294	643
Crude fertilisers	37	49	86	135	134	269
Petroleum & products	231	553	784	979	2,196	3,175
Vegetable oil & fat	94	136	230	311	395	706
Chemical elements	96	158	254	422	477	899
Dyes and paints	79	78	157	222	265	487
Medical products	201	153	354	437	283	720
Fertilisers	34	126	160	325	373	698
Plastics	74	76	150	302	266	568
Rubber manufactures	105	79	184	266	174	440
Paper	173	136	309	484	411	895
Textiles	547	378	925	1,315	666	1,981
Non-metallic mineral products	190	107	297	730	276	1,006
Iron and steel	778	457	1,235	2,944	1,628	4,572
Non-ferrous metal	94	94	188	282	331	613
Machinery, non-electrical	1,341	998	2,339	3,913	2,566	6,479
Electrical machinery	631	356	987	1,869	1,047	2,916
Transport equipment	808	686	1,494	2,737	1,842	4,579
Clothing	117	44	161	329	117	446
Instruments & watches	133	95	228	398	245	643
Miscellaneous	1,263	1,187	2,450	3,251	3,067	6,318
TOTAL	7,983	7,377	15,365	25,724	20,730	46,454

Source: Compiled from UN Yearbook of International Trade Statistics, 1974 and 1975.

TABLE 11
Unit Value Index of Exports and Imports, Terms of Trade and Purchasing Power of Exports of Major Groups of Countries, 1960-1975
(1954-56 average = 100)

Year	Exports (Unit value index)			Imports (Unit value index)			Terms of Trade ¹ (Index)			Purchasing power of exports ²		
	Developed countries	Oil exporting countries	Other developing countries ³	Developed countries	Oil exporting countries	Other developing countries	Oil exporting countries	Other developing countries	Developed countries	Oil exporting countries	Other developing countries	Developed countries
1960	98	83	87	98	101	101	82	87	140	110	110	110
1961	99	83	83	97	101	101	82	82	153	110	110	110
1962	99	84	82	96	100	100	84	82	160	111	111	111
1963	99	85	85	98	102	102	83	83	170	120	120	120
1964	101	89	93	99	103	104	86	88	190	130	130	130
1965	102	90	95	100	107	106	84	88	207	131	131	131
1966	103	93	100	101	107	106	87	94	227	141	141	141
1967	104	95	96	101	109	108	87	88	237	146	146	146
1968	103	97	98	100	109	107	89	91	270	148	148	148
1969	106	98	102	103	111	110	88	93	303	161	161	161
1970	114	102	106	109	135	120	76	88	333	164	164	164
1971	119	121	103	115	132	131	92	79	353	148	148	148
1972	130	133	111	124	143	141	93	79	390	156	156	156
1973	157	151	149	152	172	171	88	88	433	180	180	180
1974	195	480	220	214	220	252	218	88	407	174	174	174
1975	218	477	212	234	238	267	200	80	397	156	156	156

Source: UNCTAD, *Handbook of International Trade and Development Statistics*, 1976.

Note: The base year has been recomputed from 1970 = 100 to 1954-56 = 100.

¹ Unit value index if exports divided by unit value index of imports.

² Value index of exports deflated by unit value of imports.

³ 1948 has been used as the base year and data constructed from the oil prices and unit value of other exports of these countries, the latter assumed to be similar to that of other developing countries.

TABLE 12

Annual averages of free market prices of selected primary commodities, 1950-1977 (In US dollars per metric ton)

Commodity	1950	1955	1960	1965	1970	1971
Wheat	70	65	63	66	63	64
Rice	144	142	128	137	143	130
Sugar	110	71	69	46	81	99
Coffee	1,175	1,424	989	1,069	1,249	1,080
Cocoa	707	827	626	381	754	591
Tea	1,130	1,570	1,431	1,279	1,093	1,054
Pepper	3,609	990	1,292	1,054	1,274	1,131
Tobacco	—	—	—	—	1,806	1,646
Soyabean oil	326	294	223	270	290	305
Groundnuts	205	189	197	206	228	256
Groundnut oil	418	288	327	325	378	446
Copra	226	180	202	226	223	190
Coconut oil	292	267	312	347	379	353
Palm kernel	189	143	144	179	168	145
Palm oil	190	226	224	273	260	262
Olive oil	619	608	585	662	699	729
Linseed oil	323	247	258	214	226	194
Cotton	1,058	819	655	636	675	789
Wool	4,320	2,843	2,425	2,446	1,960	1,785
Jute	—	—	—	—	270	282
Sisal	404	224	272	241	156	180
Hides	—	—	—	—	555	436
Rubber	778	820	780	505	408	340
Wood ¹	—	—	—	—	93	93
Manganese ore	53	87	80	78	53	64
Iron ore	8.6	13	11.5	10.1	9.3	10.6
Aluminium	314	460	512	540	614	626
Copper	493	968	678	1,289	1,415	1,081
Lead	293	292	199	317	304	253
Zinc	328	250	246	311	296	309
Tin	2,055	2,040	2,195	3,889	3,674	3,501
Phosphate rock	—	14.1	12.8	11.2	11.7	11.7
Petroleum crude	16.1 ²	14.3	13.8	13.3	13.3	16.2
Manufactures exported by developed countries	—	79	84	88	100	105

Source: UNCTAD: *Handbook of International Trade and Development Statistics, 1976* and IMF: *International Financial Statistics*, April 1977.

¹ Price for cubic metres.

² 1948 price.

Note: For specifications of commodity quotations, see the above publications.

TABLE 12 continued

Commodity	1972	1973	1974	1975	1976	1977 January
Wheat	73	147	211	195	177	155
Rice	145	350	542	363	255	259
Sugar	160	208	654	495	293	240
Coffee	1,248	1,598	1,716	1,792	3,510	5,444
Cocoa	712	1,419	2,169	1,651	3,180	4,874
Tea	1,051	1,058	1,401	1,383	1,565	2,110
Pepper	1,111	1,278	1,812	1,970	1,915	2,400
Tobacco	1,792	1,871	2,139	2,325	2,370	2,515
Soyabean oil	245	438	833	563	439	502
Groundnuts	259	400	590	440	416	537
Groundnut oil	426	544	1,081	861	741	933
Copra	143	343	664	253	257	377
Coconut oil	248	500	973	395	352	472
Palm kernel	116	260	469	206	203	316
Palm oil	217	376	672	433	407	456
Olive oil	940	1,365	2,179	2,324	—	—
Linseed oil	205	558	1,124	743	629	768
Cotton	818	1,360	1,465	1,214	1,730	1,877
Wool	2,975	6,987	4,915	3,857	3,960	4,420
Jute	294	284	339	371	296	299
Sisal	246	535	1,079	580	469	505
Hides	641	1,753	1,496	984	1,282	1,443
Rubber	331	686	762	656	794	805
Wood ¹	109	156	143	166	168	151
Manganese ore	61	76	116	139	147	150
Iron ore	10.8	10.1	12.3	14.8	14.3	14.4
Aluminium	590	599	765	868	905	1,075
Copper	1,070	1,780	2,058	1,234	1,425	1,418
Lead	302	429	592	417	455	567
Zinc	378	845	1,240	745	710	704
Tin	3,764	4,811	8,189	6,876	7,610	10,210
Phosphate rock	11.7	13.7	52.5	68	44.8	44
Petroleum crude	18.2	24.3	85.7	85.3	91.6	101
Manufactures exported by developed countries	113	133	162	182	—	—

TABLE 13
Balance of payments of Muslim countries, by group, 1970-1975 (in billions of US dollars)

Period	Current Account Balance			Capital Account Balance			Overall balance or changes in foreign reserves
	Trade Balance	Services, net	Transfers, net	Total	Long-term	Short-term	
I—ALL MUSLIM COUNTRIES							
1970	+2.9	-5.0	+0.9	-1.2	+2.8	-0.6	+1.0
1971	+5.5	-5.7	+1.4	+1.2	+3.0	-0.5	+3.8
1972	+7.0	-6.8	+1.6	+1.8	+3.1	+0.4	+5.3
1973	+13.6	-7.9	+2.0	+7.7	+0.3	-2.5	+5.5
1974	+63.2	-10.7	+2.4	+54.9	-7.2	-4.2	+43.5
1975	+34.8	-13.2	+2.5	+24.1	+1.7	-7.9	+17.9
II—HIGH INCOME OIL EXPORTERS							
1970	+1.8	-0.5	-0.6	+0.7	+0.1	-0.4	+0.4
1971	+3.5	-0.6	-0.6	+2.3	-0.1	-0.5	+1.7
1972	+5.0	-1.2	-0.8	+3.0	—	-0.5	+2.5
1973	+8.2	-2.0	-1.6	+4.6	-1.3	-0.8	+2.5
1974	+40.4	-0.8	-2.4	+37.2	-7.7	-1.7	+27.8
1975	+32.4	-0.6	-3.7	+28.1	-4.0	-1.5	+22.6

TABLE 13 continued

Period	Current Account Balance			Capital Account Balance			Overall balance or changes in foreign reserves
	Trade Balance	Services, net	Transfers, net	Total	Long-term	Short-term	
III—OTHER OIL EXPORTERS							
1970	+3.2	-4.0	+0.2	-0.6	+1.3	-0.3	+0.4
1971	+4.4	-4.7	+0.4	+0.1	+1.6	-0.2	+1.5
1972	+4.7	-5.4	+0.2	-0.5	+1.4	+0.8	+1.7
1973	+8.3	-5.7	+0.1	+2.7	+0.3	-1.4	+1.6
1974	+30.6	-9.3	-0.6	+20.7	-2.1	-2.3	+16.3
1975	+14.5	-11.7	-0.3	+2.5	+0.9	-6.3	-2.9
IV—OTHER MUSLIM COUNTRIES							
1970	-2.1	-0.5	+1.3	-1.3	+1.4	+0.1	+0.2
1971	-2.4	-0.3	+1.6	-1.1	+1.5	+0.3	+0.7
1972	-2.7	-0.2	+2.2	-0.7	+1.7	+0.1	+1.1
1973	-3.0	-0.2	+3.6	+0.4	+1.3	-0.3	+1.4
1974	-7.8	-0.6	+5.4	-3.0	+2.6	-0.2	-0.6
1975	-12.1	-0.9	+6.5	-6.5	+4.8	-0.1	-1.8

Source: Compiled from data obtained from IMF.

TABLE 14

Balance of payments of Muslim Countries, 1970 and 1975 (in millions of US dollars)

Country	1970					
	Trade Balance	Services, net	Transfers, net	Current Account Balance	Capital Flows, net	Overall Balance
OIL EXPORTING COUNTRIES						
Algeria	-65	-316	+255	-126	+46	-80
Bahrain	-83	+9	—	-74	+87	+13
Gabon	+74	-81	+4	-3	+8	+5
Indonesia	-85	-291	+66	-310	+322	+12
Iran	+561	-1,072	+4	-507	+311	-196
Iraq	+635	-536	+2	+101	-107	-6
Kuwait	+421	+268	-279	+410	-127	+283
Libya	+1,723	-920	-158	+645	+40	+685
Nigeria	+333	-764	+63	-368	+339	-29
Oman	+89	—	—	+89	-11	+78
Qatar	+196	(-66)	—	(+130)	(-128)	(+2)
Saudi Arabia	+1,130	-729	-330	+71	+16	+87
U.A.E.	+86	-23	—	+63	-62	+1
TOTAL	+5,015	-4,521	-373	+121	+734	+855
OTHER COUNTRIES						
Afghanistan	-30	-4	-5	-39	+35	-4
Bangladesh	—	—	—	—	—	—
Cameroon	+14	-21	+5	-30	+59	+29
Chad	-13	-15	+30	+2	+1	+3
Egypt	-374	-88	+308	-154	+10	-144
Gambia	+2	-3	+2	+1	+2	+3
Guinea	—	—	—	—	—	—
Jordan	-129	-1	+114	-16	+7	-9
Lebanon ¹	-357	+315	+29	-13	+170	+157
Malaysia	+349	-282	-59	+8	+5	+13
Mali	-14	-7	+20	-1	—	-1
Mauritania	+25	-33	+30	-5	+3	-2
Morocco	-137	-60	+73	-124	+140	+16
Niger	-22	-7	+29	—	+12	+12
Pakistan	-538	-248	+119	-667	+549	-118
Senegal	-88	+39	+33	-16	+32	+16
Somali	-15	+6	+3	-6	+13	+7
Sudan	+13	-55	—	-42	+21	-21
Syria	-162	+82	+10	-70	+46	-24
Tunisia	-138	+27	+58	-53	+79	+26
Turkey	-262	-143	+335	-70	+276	+206
Upper Volta	-30	-6	+45	+9	+5	+14
Yemen A.R.	(-77)	—	(+72)	(-5)	+30	+25
Yemen P.D.R.	-84	+28	+57	+1	-9	-8
TOTAL	-2,095	-476	+1,281	-1,290	+1,486	+196
GRAND TOTAL	+2,920	-4,997	+908	-1,169	+2,220	+1,051

TABLE 14 continued

Country	1975					
	Trade Balance	Services, net	Transfers, net	Current Account Balance	Capital Flows, net	Overall Balance
OIL EXPORTING COUNTRIES						
Algeria	-837	-1,185	+445	-1,577	+1,254	-323
Bahrain	-26	+34	—	+8	+110	+118
Gabon	+390	-493	-10	-113	+160	+47
Indonesia	+1,394	-2,496	+49	-1,053	+604	-449
Iran	+4,935	-912	-19	+4,004	-4,437	-433
Iraq	+3,082	-1,170	-462	+1,450	-1,929	-479
Kuwait	+6,121	(+863)	(-1,172)	+5,812	-1,853	+3,959
Libya	+2,315	-2,563	-239	-487	-1,087	-1,574
Nigeria	+3,269	-2,879	-128	+262	-72	+190
Oman	+16	-5	+23	+34	-18	+16
Qatar	+1,407	-235	—	+1,172	-547	+625
Saudi Arabia	+19,808	-510	-2,208	+17,090	-690	+16,400
U.A.E.	+5,062	-726	-303	+4,033	-2,400	+1,633
TOTAL	+46,936	-12,277	-4,024	+30,635	-10,905	+19,730
OTHER COUNTRIES						
Afghanistan	-33	+3	-12	-42	+107	+65
Bangladesh	-856	-149	+417	-588	+597	+9
Cameroon	-120	-33	-15	-168	+110	-58
Chad	-63	-59	+69	-53	+30	-23
Egypt	-2,902	+295	+1,134	-1,473	+398	-1,076
Gambia	+13	-7	+5	+11	+3	+14
Guinea	+66	-92	+9	-17	+17	—
Jordan	-440	+68	+479	+107	+58	+165
Lebanon ¹	-932	+655	+75	-202	+202	—
Malaysia	+447	-583	-53	-189	+253	+64
Mali	-95	-57	+102	-50	+1	-49
Mauritania	-18	-72	+52	-38	-14	-52
Morocco	-748	-312	+516	-544	+523	-21
Niger	-44	-19	+54	-9	+15	+6
Pakistan	-1,174	-272	+408	-1,038	+824	-214
Senegal	-185	+46	+69	-70	+50	-20
Somali	-88	-21	+119	+10	+16	+26
Sudan	-345	-138	-4	-487	+134	-353
Syria	-628	+117	+727	+216	+80	+296
Tunisia	-445	+132	+131	-182	+149	-33
Turkey	-2,860	-438	+1,446	-1,852	+946	-906
Upper Volta	-108	(-33)	(+122)	(-19)	(+12)	-7
Yemen A.R.	-385	+46	+593	+254	+86	+340
Yemen P.D.R.	-186	+21	+57	-108	+85	-23
TOTAL	-12,129	-902	+6,500	-6,531	+4,681	-1,850
GRAND TOTAL	+34,807	-13,179	+2,476	+24,104	-6,224	+17,880

Source: Data have been compiled from IMF Publications.

Note: Data in brackets are estimates.

¹ For Lebanon 1974 data have been used due to lack of 1975 data.

TABLE 15

Foreign Reserves of Muslim Countries, 1970 and 1976 (end of period) (in millions of US dollars)

	1970			1976		
Country	Total	Foreign Exchange	Gold	SDR	Reserves in IMF	Total
OIL EXPORTING COUNTRIES						
Algeria	339	1,676	223	50	39	1,988
Bahrain	71	431	6	—	5	442
Brunei	—	—	—	—	—	—
Gabon	15	119	—	5	3	127
Indonesia	160	1,492	2	5	—	1,499
Iran	208	7,447	152	75	1,160	8,834
Iraq	462	4,370	167	32	32	4,601
Kuwait	203	839	227	—	863	1,929
Libya	1,590	3,099	99	—	7	3,205
Nigeria	222	4,721	23	71	388	5,203
Oman	127	260	—	—	—	260
Qatar	18	102	8	—	19	129
Saudi Arabia	662	24,337	125	—	2,563	27,025
U.A.E.	—	1,834	—	—	132	1,966
TOTAL	4,077	50,727	1,032	238	5,211	57,208
OTHER COUNTRIES						
Afghanistan	47	111	38	6	—	155
Bangladesh	—	270	—	19	—	289
Cameroon	81	31	—	11	—	42
Chad	2	10	—	2	—	12
Egypt	167	216	99	24	—	339
Gambia	8	16	—	2	2	20
Guinea	—	—	—	—	—	—
Jordan	256	444	32	9	7	492
Lebanon	386	1,200	373	—	2	1,575
Malaysia	664	2,215	67	76	62	2,420
Mali	1	4	—	3	—	7
Mauritania	3	81	—	1	—	82
Morocco	140	455	24	12	—	491
Niger	19	75	—	5	3	83
Pakistan	190	429	66	37	—	532
Senegal	22	24	—	1	—	25
Somalia	21	75	—	5	5	85
Sudan	22	24	—	—	—	24
Syria	55	405	32	8	14	459
Tunisia	60	340	5	12	14	371
Turkey	431	957	145	21	—	1,123
Upper Volta	36	62	—	5	4	71
Yemen A.R.	50	715	—	2	3	720
Yemen P.D.R.	59	118	1	4	—	123
TOTAL	2,720	8,277	882	265	116	9,540
GRAND TOTAL	6,797	59,004	1,914	503	5,327	66,748
TOTAL WORLD	93,247	184,048	40,933	10,010	20,511	255,502

Source: IMF, International Financial Statistics.

TABLE 16

External Public Debt of Muslim Countries, 1970-1974 (in millions of US dollars)

		1970			
Countries	Including disbursed	Outstanding Disbursed only	Principal payments	Interest payments	Total Service
OIL EXPORTING COUNTRIES					
Algeria	1,465.5	937.0	32.9	9.7	42.6
Gabon	124.7	90.8	8.8	2.5	11.3
Indonesia	3,511.1	2,897.7	55.7	21.3	77.0
Iran	4,081.2	2,166.8	234.6	83.8	318.4
Iraq	458.3	273.7	17.7	9.3	27.0
Nigeria	690.5	458.7	35.2	18.6	53.8
TOTAL	10,331.3	6,824.7	384.9	145.2	530.1
OTHER COUNTRIES					
Afghanistan	697.0	529.3	14.0	8.9	22.9
Bangladesh	—	—	—	—	—
Cameroon	234.6	130.3	4.5	4.5	9.0
Chad	45.6	33.9	1.8	0.4	2.2
Egypt	1,866.4	1,431.9	213.9	37.5	251.4
Gambia	10.6	5.1	0.1	0.01	0.11
Jordan	173.2	119.6	2.7	1.8	4.5
Malaysia	554.8	365.6	32.0	21.1	53.1
Mali	287.8	236.2	0.7	0.4	1.1
Mauritania	40.3	27.3	3.0	0.3	3.3
Morocco	952.6	712.8	35.7	23.4	59.1
Niger	85.5	35.8	1.5	0.8	2.3
Pakistan	4,561.9	3,060.1	113.5	76.3	189.8
Senegal	144.4	102.7	4.6	1.4	6.0
Somalia	109.8	78.7	0.5	0.4	0.9
Sudan	335.7	277.1	17.3	12.4	29.7
Syria	207.9	169.9	28.4	4.6	33.0
Tunisia	845.8	524.0	44.3	17.3	61.6
Turkey	2,692.6	1,840.5	128.8	42.4	171.2
TOTAL	13,846.5	9,680.0	647.3	253.9	901.2
GRAND TOTAL	24,177.8	16,505.5	1,032.2	399.1	1,431.3

TABLE 16 continued

Countries	Including disbursed	Outstanding Disbursed only	1974		Total Service
			Principal payments	Interest payments	
OIL EXPORTING COUNTRIES					
Algeria ¹	9,003.1	4,526.9	249.9	209.4	459.8
Gabon	439.1	427.4	31.7	10.7	42.4
Indonesia	8,696.0	5,897.3	229.8	106.3	336.1
Iran	6,604.4	5,134.8	1,090.8	248.8	1,339.6
Iraq	670.0	407.2	100.9	13.7	114.6
Nigeria	1,078.5	751.7	37.0	35.2	72.2
TOTAL	26,491.1	17,145.3	1,740.1	624.6	2,364.7
OTHER COUNTRIES					
Afghanistan	1,596.3	771.6	28.9	10.6	39.4
Bangladesh ¹	2,589.5	1,621.7	53.9	13.9	67.8
Cameroon	570.1	299.8	16.5	9.8	26.3
Chad ¹	163.3	69.5	4.9	1.3	6.2
Egypt	3,119.5	1,811.0	259.6	47.9	307.5
Gambia	22.8	13.2	0.3	0.1	0.4
Jordan	546.0	286.4	10.8	5.2	16.1
Malaysia ¹	3,029.6	1,270.1	74.8	57.0	121.8
Mali	335.1	264.3	25.9	1.1	27.0
Mauritania ¹	410.2	154.6	25.3	3.8	29.1
Morocco	1,902.1	1,123.8	94.1	42.1	136.2
Niger	107.8	85.4	2.3	1.9	4.2
Pakistan	6,230.0	4,634.5	107.4	81.5	188.9
Senegal	408.1	239.0	19.2	13.6	32.8
Somalia	377.6	198.8	9.4	1.7	11.1
Sudan	1,051.2	356.6	35.2	17.3	52.5
Syria	769.1	290.7	46.2	5.7	51.9
Tunisia	1,443.8	956.0	58.7	31.2	89.9
Turkey	4,306.2	3,104.7	137.5	93.6	231.1
TOTAL	29,162.3	17,551.7	1,010.9	439.3	1,440.2
GRAND TOTAL	55,653.4	34,697.0	2,751.0	1,063.9	3,804.9

Source: World Bank, *World Debt Tables, External Public Debt of LDC's*.¹ 1975 data are given instead of 1974.

22 Industrialisation In and Transfer of Technology to the Muslim World

Ibrahim Helmi Abdel Rahman

Introduction

The developing countries express increasing interest in accelerating their industrialisation efforts and in establishing an active science and technology base for economic development. Many international organisations are currently engaged in specific studies, conferences and programmes in these fields within the United Nations system, in particular UNESCO, UNIDO, UNCTAD, FAO, ILO, WHO. Special attention, however, is given in the following study to the general approach and concepts of technological and industrial development from the point of view essentially of the Developing Countries. Two reasons recommended this approach. The first is that Islam as a faith and a social system would be more involved in the conceptual rather than in the technical approach. The second is that, in discussing the subject within the context of the new economic order, the strategic conceptual approach is the more relevant.

The Developing Countries Face the Future

The Muslim countries belong to the group of developing countries, often referred to as Third World countries. They share problems and prospects with the developing countries in general, though they (the Muslim countries) may have their particular concerns and potentialities within the wider group. Certainly they have interests which extend beyond the geographical and political boundaries of the Third World. The holding of this conference with a strong European participation is a specific example of these wider interests.

Nevertheless, in dealing with the industrialisation and transfer of technology in the Muslim World within the context of the establishment of a new international order, one has to refer mostly to the situation of the developing countries, especially in Asia, Africa and the Middle East. Particular attention must also be given to Islam as a faith, a religion and a

living civilisation.

There are good reasons for doing so, and there are precedents. In Western countries, where Christianity prevails, the religious basis of social and political life has not been neglected in spite of the tremendous developments in political thought and scientific advances. Many political parties even retain a "Christian" nomenclature. The same phenomenon is even more conspicuous with the Jewish faith, quite apart from the Zionist movement. Religion is without doubt an important factor in the determination of individual concepts, systems of values, social attitudes and patterns of life. Hence the Muslims would be fully justified in searching for their identity within the modern world, without any unfair suspicion of intolerance or danger of automatic confrontation with current secular and national structures.

The developing countries have repeatedly stated their case to the international community through the United Nations General Assembly, its specialised agencies and other international and regional forums, as will be referred to in some detail later. As the discussions proceeded and alternative proposals were offered, the nature of the case itself started to change. It became no more simply the case of the developing countries, but rather the case of the world as a whole, including the First and Second World Countries which are now the industrialised and rich countries. Political and intellectual alignments appeared, first within the United Nations system in which countries were grouped into categories A, B, C and D. B-countries are the Western Europeans, Japan, U.S.A., Canada and others. D-countries are the U.S.S.R. and the socialist countries of Eastern Europe. C-countries are those of Latin America and the Caribbean and A-countries the large mass of African and Asian countries, including the Arab countries and notable individual countries such as Yugoslavia. In recent years, multilateral dialogues on some important issues have started outside the UN, notably what is called the North-South Dialogue, and the Arab-European dialogue. A third African-Arab dialogue may have effectively started. There have been important developments in the structure and functions of regional economic groupings, which are also political and cultural to a large extent. Discussions developed within each group and also with other (ad hoc) partner groups (such as the Lome agreements between the EEC and the group of ex-colonies in Africa and elsewhere). One can add here the East-West dialogues, whether official ones in the form of limitation of strategic weapons and the European Security conferences, or other economic, political and ideological discussions.

The purpose of this rather long listing of the many types of dialogues is mainly to point out that the Muslim countries and peoples actually take part in many of these activities simultaneously, and that they might do

well to examine the future problems together with the developing countries, in order to identify ways and means of building a just and equitable world order for all nations and creeds.

Current Policies and Concepts of the Developing Countries as regards Industrialisation and Transfer of Technology

During the last 50 years, there have been several phases in the evolution of policies and concepts of industrialisation of the developing countries. The colonial system was still strong, and the demand for political self-determination after the end of the First World War stimulated national movements for independence in many parts of the Muslim World. The great world economic crisis of the 1930's and the outbreak of the Second World War ended this first phase, in which nationalism was in many cases combined with economic independence and the boycott of modern imported technology and machines from the colonising powers. This was essentially a utilisation of economic instruments for the sake of attaining political objectives.

After the Second World War, many developing countries won their struggle for independence and the movement of de-colonisation started. The economic instruments for political objectives naturally changed. It seems that the idea of refusing modern industry and technology because of their association with the colonial power was almost lost. National economic efforts in the newly independent states followed almost completely the concept of accelerated growth using modern technology and hence attaching themselves totally to the economies and technologies of the advanced countries. One notable exception, there may be others, was the effort to adopt imported technology, to discover "intermediate" or indigenous technology, and the efforts to raise cottage industries in the face of the strong competition from modern factory production; also the movement to search for labour-intensive activities and avoid capital-intensive industries. Much effort was exercised in all of these directions, but with limited success. The basic policies were directed towards industrial (and also agricultural) growth, the development of education and training, and, in general, towards economic and social modernisation following the pattern of advanced countries, but within the limitations and constraints of the developing countries.

In this phase, which extended roughly into the early nineteen-sixties, all things were tried at once – expansion of education, improvements of agriculture, establishment of new industries, building up research institutes, and importing technologies, especially for television, radio, motor cars, air-transport and other durable consumer goods. The objective was simply to introduce as many modern institutions and practices as was

possible, and to dismantle as many traditional institutions and practices as possible. Value systems and priorities followed this principle, not only in economics and industrialisation, but even in the style of life, dress, housing, family relations and culture. Since this movement was conducted by the national newly-independent authorities, it could not be attributed to outside colonial powers, though within limited circles it could have well been described as a continuation of the policy of domination by means other than overtly military and political.

This was the situation as seen from the point of view of the developing countries. From the other side (i.e. from that of the western advanced countries) the end of colonisation did not bring disaster. The war destruction was repaired by collective reconstruction efforts – the Marshall Plan and other measures. A period of almost uninterrupted prosperity for nearly 25 years followed, in which a new industrial – or post-industrial – revolution was realised, with basic advances in atomic energy, space activities, aviation and communication expansion, of new road transport systems and vast programmes of urban renewal and intensive restructuring of the economy on the basis of harmonisation and integration, leading to stable monetary systems, absence of cyclic shocks and the growth of the new empires of the multinational corporations.

As regards the developing countries, the advanced western countries first had the notion that technical assistance on their part through experts, training and information would be sufficient for, or the most that could be given to, the developing countries. Later aid was introduced under different definitions and forms, from pure grants to commercial loans through bilateral and multilateral programmes. But all of these measures did not seem to solve the problem of the poor countries. Attention was given later to terms of trade and flow of capital under a new battle-cry: "Trade and not aid". The examination of rules of trade, commodity prices and markets, exports of manufactured goods from developing countries, were all re-examined, but the debts of the developing countries continued to mount and their internal expansion and development efforts continued to face numerous difficulties.

This is the political and economic framework within which the developing countries were pursuing their industrialisation efforts, and building up their capacities and facilities for science and technology. In summary, they were trying to catch up with the advanced countries, which had been developing for more than 200 years under more favourable conditions. This concept of "catching up" assumed that there is a large stock of technology built up in the advanced countries at a great cost of money and experience, and that it could be relatively easily transferred to the developing countries, thus sparing them the need to discover and develop technology and science for themselves; consequently

the developing countries would leap-frog into modern industrialisation by this wonderful and almost magic process of technology transfer. Unfortunately, the magic trick does not seem to have worked successfully and we are now left with a massive international literature on the failures of the "transfer of technology" concept and the need for new prescriptions, and institutions.

Before we finish with this second phase, the position of the centrally planned economies must be mentioned. The U.S.S.R. was boycotted and isolated by the western powers until the Second World War, though important industrial and technological agreements were concluded with western companies during this period. Industrialisation, science and technology are recognised in Marxist principles as major instruments of social development. After the Second World War, the socialist countries established wider relations with many developing countries. At the same time many developing countries revolted against their association politically, economically, technologically and ideologically with the western pattern and institutions, this leading to the emergence of socialist movements ranging from the mild reforming type to the extremist revolutionary model. Yet in these countries the policies and concepts of science, technology and industrialisation were not very different from the rest of the developing countries. The differences were in the institutional, ownership and management aspects, especially as regards the public sector, centralised management, state monopolies and other features of the social system. In all cases more industries were established through the purchase of equipment, more persons trained, research institutes and scientific academies sprang up and the magic process of a big technological leap forward espoused, though it was implemented only with limited success. From these socialist quarters came criticism of the policies of other developing countries which were following the western pattern, also with limited success. The exchange of criticism between the two groups, the so called "progressive" and "conservative" countries, was in itself a manifestation of the cold-war and political rivalry between the advanced countries of the East and West, and also an expression of the common shortcomings of both groups in trying to follow policies and concepts of industrialisation and technology which were borrowed from outside and implanted in a different social and political soil. The mutual criticisms were an extension of conflict between the two dominant ideological blocks. Western ideologies were against the neglect of agriculture, the rush for steel factories and heavy industry, the planned development of public sector and in favour of the development of small and cottage industries, cooperation with private foreign investors, especially the knowledgeable and powerful multinationals. The Eastern policies advocated independence

from economic neo-colonialists, the establishment of comprehensive plans of public sector industries, and intensive science and technology application and central planning. Both West and East were in fact saying "See what we have achieved with our policies", but in the long run this is not what the developing countries wanted. They were not interested in the contest of boasting or coaxing by one side or the other of the advanced countries about what they have achieved inside their own system. The question was to get science, technology and industrialisation to succeed *inside* the developing countries and within their limited resources of wealth, knowledge and experience. Yet the developing countries, under the pressure of political and social forces, tried one system or the other. As a matter of fact they are still doing so until now. They are looking either East or West, buying equipment, purchasing licences, establishing factories, expanding agriculture, industry, education, consumer goods, roads, and even starting nuclear energy and space programmes.

In these countries, which include all the Muslim countries, traditional institutions were mostly identified with lack of progress. Social structures and value systems were collapsing under the disrupting influence of modernisation (whether borrowed from the East or West), and in the view of many, these structures and systems were not in themselves commendable, though they may have been responsible for earlier periods of strength and glory. As a matter of historical record, Islam has been a potent force in inspiring its followers to create a dynamic civilisation. This however came to be overlaid by values and traditions which persisted in Muslim society in the name of religion but which were undesirable and indefensible in Islamic terms and led to decay and misery. Therefore while looking at past dynamism and recent decay, one should make the crucial distinction between a call for "no change", which would only mean a perpetuation of misery, and the call for progress within the framework of authentic Islamic tradition.

Gathering Clouds of Doubt

During the first phase, up to the Second World War, the developing countries aspired for political independence, but the economic system (which was essentially biased to the advantage of the western colonial powers) required and admitted certain advances of a scientific and industrial nature. As an example, the production and export of minerals and raw materials was managed by regulation, organisation and research, in order to ensure the inflow of such materials to the advanced countries with the proper grading and volume. The requirements of internal administration and accessibility to different locations led to

notable advances in epidemic control, plant diseases, higher education for public service, loyal military formations and even active and specialised institutions in art, tropical medicine and oriental languages, etc.

During the second phase, in which the developing countries started efforts of modernisation in many directions, with indiscriminate imitation, the quality of scientific and technological outputs of some existing institutions actually deteriorated because of quick expansion, absence of discipline and lack of resources. Many new institutions were formed for subjects not related to the interest of foreign powers, but clouds started gathering.

The process of development in the developing countries, as may be measured numerically by economic or social indicators, gained considerable momentum in the second phase under independence, but difficulties started to appear and later to reach considerable proportions. In short, consumption (both public and private) increased quickly, while production lagged behind. Social and institutional reforms, even where they were fairly successful, led to reduced efficiency and other social pressures. The development of education, culture, and the mass-media coupled with population movements accelerated the break-down of institutions, without a corresponding build-up of other viable institutions. In addition, external debts, disguised and partial unemployment and greater inequalities of income added to the burdens of many developing countries.

In particular the concept of "catching up" with the advanced countries was no longer quite so acceptable. Also, it became less and less feasible. The "gap" studies showed that the rich countries are getting richer, which means that the poor countries are getting poorer – hence the need to re-examine policies in all directions, including policies of industrialisation and the transfer of technology. Second, according to some thinkers, the catching up or closing of the gap did not seem to be desirable, even if it were feasible. The situation of the advanced countries, after recent developments (environmental pollution, urban decay etc), no longer appeared to be so attractive to those thinkers.

But if one rejects the concept of catching up and closing the "gap", what would be the new concept that could serve as a guide for the industrial and technological development of the developing countries? This is the main question, which is now under careful examination all over the world, and not only in the developing countries. The major global problems which have become very conspicuous in the last ten years, are presenting challenges both to the developing and advanced countries as well. The concept of development as wider and distinct from mere economic "growth" or "social evolution" in a direction indicated and measured by higher material consumption is also being re-examined.

There is yet no one agreed answer to these major inquiries, and such an answer is not likely to appear quickly, in spite of the many efforts at different levels and directions pursued by all nations. Some references have been given, in the first part of this study, to the innumerable organisations and the forums of international discussions, negotiations and dialogues which are going on all over the world.

On the part of the advanced countries, East and West, the increasing expenditure on weapons is a major question. It taxes the budget resources, the capacity of technology, science and industry. It does not create the real objective which is a sense of security and peace. Furthermore, because of the hydrogen bomb, the chemical and biological weapons and the use of space and the ocean for military purposes, considerable concern is felt by the people and not only by governments, that the existence of these weapons, even if they were never used, is endangering human life on the planet. The advanced countries seem to have reached the situation in which they might be leading the world and themselves to unavoidable doom. By any measure of judgement, the security question is the greatest folly and the greatest achievement of modern civilisation.

The ever-growing sophistication of weapons is one of the most important stimulants of science, technology and industrialisation, and the overflow of weapons to the developing countries is draining most valuable resources towards conflicts and tensions that are largely created by the past and present policies of the industrialised countries. Hence the diversion of very precious resources of the developing countries, and a lot of missed opportunities while searching for the elusive objective of security.

After weapons, there is the concept of consumption as a yard-stick for progress which has worked so far fairly well in the industrialised countries through the use of the profit motive to stimulate research and development, hence the expansion of industry and the increasing demand on energy, raw materials and minerals. There are the pessimists who warn us about the early depletion of those resources, and the optimists who place faith in modern technology to find other sources. Both groups, however, do agree on the basic question, that an economic and industrial system leading to ever-increasing material consumption cannot be a permanent system for the future, especially since considerable numbers of human beings in the developing countries and also in the advanced countries suffer from inadequate basic needs.

Modern industry and technology, therefore, have been dominating a world in which considerable resources are directed towards weapons (that do not create security) and towards consumption of luxury goods that do not create justice or happiness. Will the developing

countries now follow the advanced countries and direct all their efforts and resources to acquire technology and build industries to produce a "fair share" of weapons and supersonic planes and coloured television sets, while millions of their own people are hungry and everybody is afraid and insecure?

This is a simplistic picture of industrialisation and technology in the advanced countries. It can be elaborated to include the world monetary system, the food problems, unemployment, stagnation, inflation, balance of payments, environment, energy problems, resources from the sea, nuclear proliferation, urban decay, social unrest and many other problems which are fully discussed all over the world now. We need to go back to the main subject here, namely future problems and prospects in industrialisation and technology for the Muslim Countries, which as mentioned before, share many concerns with the group of developing countries.

What can we do about the clouds and the doubts?

The share of the developing countries – all of them – in the world economy is small. Major economic decisions have to be taken, with few exceptions, by the big industrial countries. The developing countries have voices and votes which are being increasingly heard, but they are not loud enough. Even if they were to be heard, what would they say? "Stop weapons, produce ploughs not swords, feed the hungry rather than amuse the rich, save the world for the future from the follies of hate and distrust . . .". This sounds like a sermon. We all need such sermons but how effective would they be?

Should the developing countries instead, by a variety of means including self-reliance, economic cooperation and negotiation, change the prevailing rules which have been established by the advanced countries, and replace them by new rules which would lead to accelerated economic and technological development and hence a greater say in the future? Even if these were to take place – who will make sure that the developing countries will be wiser than the presently advanced countries in using limited resources, creating conditions of peace, security and justice? A cynic would look around and say that he is not encouraged by the naivety of the developing countries to have much faith in their wise use of power in the future. Nevertheless, no good purpose would be served by leaving the currently wasteful policies of military and non-essential consumption to go on unopposed while more basic needs of food, education, health and shelter are denied to thousands of millions all over the world.

One important point to notice here is that in the above short analysis we are dealing with the world as made up of solid blocs, each one of

them being called a "nation" or a "state". We are forgetting the billions of individuals forming these blocs and who are not mere units in a big machine. Another mistake also is that, even when we recognise persons as human beings, as individuals and in different groups and structures, we concentrate on speaking about their consumption and production, and take less notice of their feelings, aspirations, values and concepts. We do not know exactly how people react morally and spiritually or even physically so as to influence the decisions of the entity we call the "State". But by historical experience, the nation-state is a relatively new feature on the world scene. We also see clearly that old established nation-states, which generally are the industrially advanced too, are grouping together to form economic and political bigger blocs and states, while the newly emerged nation states are still splintering and fragmenting. This means that the developing countries in the future are likely to pass out of the present state of fragmentation towards some common and collective policies. At the same time, the advanced countries have been the first to realise the seriousness of the global problems facing them and the world, and they are not exactly indifferent towards them. On the contrary, much intellectual activity is taking place. By historical experience, we can see our ideas of today produce policies and action of tomorrow. Can we, therefore, explore the likely features of industrialisation and technology which will serve the purposes of the developing countries in the future, and hence identify the necessary policies of action?

It becomes clear that a picture of the future must be imagined to include certain targets and objectives – both material and otherwise – of the developing and developed countries. Since there is not yet a world government which will decide for all nations such a future picture, it has to forge it through synthesis of many streams of thought, which find their way towards discussion, acceptance and implementation through time, and across a variety of channels of organisation that exist, or that will be established in the future.

For example, the developing countries decide – within the limits of power that they possess – that their science, technology and industrialisation must be directed towards basic human needs, social justice and liberty, conservation of resources and protection of human environment. The developed countries may like to ensure an adequate supply of raw materials and energy, a stable market in the developing countries for their exports, and their cooperation on an international level in environment control and stabilisation of international relations, especially as regards the exploitation of the sea, space and nuclear weapons. They may also recommend active policies of population planning to which the developing countries may reply by requesting measures against excessive

consumption, and adequate income distribution between nations. These are all issues which may be discussed, negotiated, or simply evolve unilaterally through the continuous process of social and political accommodation in the coming years. In any case, scientific and technological activities, whether basic long-term policies or measures of training, research and application, would be important instruments of implementation of such future objectives, instead of being now a consequence of the past and existing systems of power and financing, with armaments and profits as major stimulants.

This hypothetical scenario, however crude, shows that concepts are as important as, if not actually more important than material forces. It shows also the need for the developing countries to examine their situation, not simply on the basis of the shortcomings of the past, but rather with the potentialities of the future in view. The advanced countries, being privileged now with material wealth and powerful technology, will undoubtedly realise that they cannot build the future by themselves without making a "bargain" with the developing countries, which will include some considerable departures from the trends and concepts of development, industrialisation and technology of the colonial or past colonial periods.

The Path of change – Inverting the strategies

While we need to do much more than building future images, this is nonetheless a very important and much needed task now. On reflection, we do realise that we have not really thought deep enough about our objectives as nations or as people. We usually borrow an objective from someone, or define the objective as the reverse of a felt shortcoming. A careful examination of feasible objectives for the Muslim countries in the field of technology and industrialisation can be worked out through intensive and successive discussions at different levels. Most likely, the exercise may contain a number of elements. The first is that Muslim countries share many of the problems and prospects of the developing countries in Asia, Africa and the Middle East. Second, that the Muslim countries, including the largest oil exporters, collectively can have a strong voice in many world forums, and that this voice can be used effectively to appeal for the realisation of a just and equitable peace for all nations, in true expression with the universal message and principles of the faith. Third, the Muslim countries should develop greater cooperation among themselves, not only in the field of beliefs and culture, which is obvious, but also in the field of industry and technology. This objective would, however, be harmonised and realised within the accepted systems of authority and international relations. Fourth, the

available sources of the Muslim countries in energy, minerals, food and human skills are large and should be further developed according to strategies which take into account present needs and future situations. Cultural and religious affinities should be recognised and developed, not on the basis of narrow sectoral interests, but rather on the basis of greater effectiveness and towards more universal and just objectives.

These policies would not be put together at once, and they need a lot of time and effort for implementation. In the meantime, each country will be facing problems of a scientific or industrial nature, and it may well be that through existing or new machinery, frequent and periodic meetings of specialists, and examination and discussion of alternative development policies in industry and technology, solutions would be best identified and recommended.

In the field of science and technology, we may mention as a major coming event the proposed United Nations Conference on Science and Technology to be held in 1979. The preparations for this conference have actually started within the United Nations system. All countries are requested to participate in the preparation by submitting to the organising committee views on the matters they wish to be discussed in the conference. The Muslim countries may wish, within the frame of these preparations, to consult with each other about a number of problems of joint interest in a series of meetings during the next two years. The Arab countries have recently held in Rabat, in August, 1976, a Conference of Ministers of Arab States responsible for the Application of Science and Technology to Development with the collaboration of UNESCO. Similar conferences have been held in other parts of the world. A small group representing all countries may refer to the recommendations of these meetings and produce a synthesis and proposals for action.

In the field of industry, one may note the United Nations Conference on Industrialisation held in Lima, Peru in 1975, which recommended that the share of the developing countries in world industrial production be increased from the present level of 7% to a level of 25% by the year 2000. Many international and regional organisations are actively pursuing and examining the feasibility of this target. In 1978 the Arab countries will hold their 5th Conference of Ministers of Industry in Algiers, and will examine the successive stages of development of industry in the Arab countries. These are only a few examples of current activities at the regional and international level in the two fields of Technology and Industrialisation, in which a lot of details and specific proposals can be formed. The majority of studies and resolutions about the "New World Order" deal with the establishment of a new system of international division of labour in the world and also about the necessary new policies of science and technology which will be necessary to the realisation of

these objectives. There is no need to repeat the studies here.

The value of work and learning in Islam is very high. Its taxation of wealth and catering for the poor and the destitute is well known. Expressions of individual human dignity and equality and reward for fraternity and tolerance are basic to the principles of the religion, though limited in practice by contemporary Muslim societies. The same principles are actually needed to form an overall universal attitude to justice and equity between rich and poor countries, and to sustain the spirit of study and research for knowledge which is essential for scientific endeavours. The question now is whether in solving the practical problems of scientific enquiry, technological application and industrialisation, do we need only money, steel, nuts and bolts, or do we need more than that, and what would that be?

The famous story could well be told again: that giving a man a fish to eat is good but still better to give him a net to fish with every day. Still better is to educate him so that he can look for a variety of opportunities other than fishing. Lastly, he could be endowed with the concept and judgement not only to work, consume and develop, but also to understand the meaning of life and the values in society. These are the four stages of development, which correspond roughly to consumption, production, technology, and finally concepts and values. Currently in the developing countries, consumption out-strips production. Equipment and machinery are increasingly acquired even on borrowed money before building the technological and scientific capacity for innovation and application, and all of these three steps are pursued by imitation without a clear objective and worthy purpose in life except superficially to imitate the advanced countries. A strategy for the future may be chosen rather by inverting the priorities of the four stages just mentioned, namely by starting with a set of concepts about the purpose and values in life, then building the knowledge, skill and capacity for science and technology and their application to agriculture, industrialisation and production in general. Then comes the third step of establishing the productive installations, according to the identified objectives and the chosen technology, and the training of the workers. Then at last comes the final product from these installations to be consumed by the people after saving a proportion to maintain and expand the productive capacity and to develop further technologically and spiritually. At present the practice is increased consumption as a goal in itself neglecting capacities for production, technologies and skill and forgetting which are the requirements for the strategy of the future. Here comes the role of philosophy and religion, which under leadership and faith can affect and direct the human aspirations from the lowest desires and lust to the ultimate values and goals. It is up to us to draw the strength from thought

and belief and impart it to others through faith and conviction, and through careful practical steps of learning, inventing, working and building, and not through the vain desires of superficial modernisation such as having motor-cars, and conspicuous consumer luxuries.

This is the path of change to the better, within a worldly context of global problems and justified human aspirations and under the guidance of a strong spirit and a resolute faith.

If the objectives and major policies are identified, one should not expect action to follow automatically and that all countries will rush forward to implement these policies. It is likely that such actions, especially in the near future, will meet with many difficulties, even in the developing countries who are themselves the ultimate beneficiaries. Negotiations, investments, financing, research, trade and social and economic planning could all proceed within the frame of varied bilateral and multilateral situations, but always within the major identified aims and objectives. Not every action will be positive, but the total summation and evolution hopefully will be in the directions desired.

It is to be noted also that at any one time and in any one country, one would be dealing simultaneously with a superimposition of short term, medium term and long term goals. Educational and human resource developments are generally long term policies; investment and applied research may be medium term, while financing and commercial transactions are short term. Progress should proceed on all fronts and in all branches all the time. What is important is to have a very clear view of major objectives which will be guiding principles for all cooperative endeavours.

Summary of Major Policy Approaches

1. The future prospects for the developing countries can be seen within a comprehensive system of development which includes also the industrialised countries, and which does not simply aim at bridging the gap between the two groups.

2. Industrialisation and technological capacity of the developing countries must be accelerated in order to increase their share in economic activity and thus put them in a better position of negotiating and evolving an equitable and just world order with the industrialised countries.

3. Hence, the policies of industrialisation of the developing countries should be to implement the Lima-target, and to choose industries which will be serving their own pattern of development and not simply repeating the pattern of the advanced countries, through the evolving of a new and dynamic interaction of division of labour.

4. On this basis, the technological capacity of the developing countries should be planned, making use of all opportunities of benefiting from (but not simply borrowing) the experience of already developed technologies with adequate selection and adaptation.

5. The basic technological policy of the developing country should be to develop their capacity for innovation and creation of technology suitable to their own objectives and circumstances, and to select, transfer, adapt and apply the vast stock of technologies already existing in the advanced countries. It should be borne in mind that these technologies are not "value-free". They may continue to be stimulated by military and profit objectives and designed for different circumstances of labour shortage and high income non-essential consumption. Also they may not be directed towards basic needs and better income distribution between nations and within nations, as it should be according to the hoped-for new world order.

6. To succeed in realising these objectives, the developing countries, should introduce as soon as possible effective policies of collective self-reliance, and seek means of increasing their bargaining power and political influence in negotiating policy changes.

7. The developing countries must tackle adequately the problems of unemployment and meeting the basic needs of all people such as food and energy. These may require a duality of multiplicity of technological levels in different sectors, especially between goods for export and those for local consumption.

8. Transfer of technology (with adequate selection and adaptation) can only be successful if indigenous technological capacity is established in the developing countries.

9. Costs and conditions of transfer of technology would be improved by the adoption of international codes and agreements which have been proposed and are currently being discussed.

10. The developing countries collectively should develop policies of conservation of natural resources, including the resources of the oceans, especially the non-renewable resources, and stop or limit the wasting of those resources at an ever-expanding level by the advanced countries for non-essential extravagant and almost meaningless consumption and the stockpiling of military equipment which cannot lead to security.

11. To be able to succeed in changing the present unfair distribution of wealth and technology, the developing countries must stress to themselves and to others the need to reconsider the value systems and ethical conduct, or the lack of them, behind the present wastage and reckless policies. In this respect they can find strength in their beliefs and faith. Here the great importance of religion, fraternity and spiritual conviction and strength and other fundamental concepts much needed for peace is to

be seen.

12. This is not new, since it is through concepts and values that people are motivated to action beyond the mere desires of basic animal needs. This was, for example, the case in the struggles for independence through patriotic feelings. Now a new loyalty and devotion to universal causes would be needed to combine the strength of belief with the objectives of a better world order and more secure future for all nations. This identifies an important role for Islamic thought and Muslim action in the coming years as a part of the general task of re-thinking its role and importance in the service and salvation of humanity.

23 Industrialisation and Transfer of Technology: A Critical View *

A R Khan

Dr Ibrahim Helmi Abdel Rahman concerns himself in the paper with a number of fundamental issues which are much wider in scope than the purely economic and technological ones. It requires a person of equally broad vision to discuss these issues adequately and comprehensively. The present discussant is not such a person. I have, therefore, decided to take his paper as the point of departure to raise a few related issues of economic and technological planning in the Islamic nations of the Third World. However, the temptation to comment on the basic issues in Dr Abdel Rahman's paper is too strong to overcome completely. I shall, therefore, begin by summarising some of his arguments and making a few observations on them.

Dr Abdel Rahman begins by recognising the fact that the Islamic world is a part of the contemporary developing world and that in terms of the broad trends and overall problems they are similar to the developing countries of the Third World. His main arguments may be summarised as follows. With their emergence, at the end of World War II, with political freedom the developing world embarked on a policy of industrialisation and technological development. In doing so they rejected many of their traditional objectives and values without allowing for a simultaneous indigenous development of an alternative set of objectives and values that reflect the culture and needs of the people in these countries. Instead, they borrowed from the developed Western countries not only their objective of attaining a high material consumption but also their methods with respect to technology and industry. The process was indiscriminate and hurried and it was adopted without any due consideration to the ability of the people to absorb it. As a consequence, inappropriate processes were grafted inefficiently in the vain pursuit of impossible objectives. More recently, some developing countries have been looking to the socialist world for some sort of an alternative. While the policies in these developing countries have differed somewhat with

* The comments reflect the personal views of the writer and not necessarily those of the International Labour Organisation.

respect to the details of sectoral orientation, the role of the public sector and the distribution of ownership, the basic objective remained the one of the pursuit of the maximum growth of material consumption and the main strategy was to borrow the industrial and technological package that was available abroad.

With few exceptions the developing countries of the Third World have been trying to bridge the gap between the developed countries and themselves. The gap was perceived and measured in terms of the standards of western development, viz., material consumption, high levels of energy use, and expensive and sophisticated military capability. The strategy to bridge the gap was also based on the policies of industrialisation and technological development implied by the historical experience of the western nations.

Three decades of the consistent pursuit of such a strategy have brought the developing countries to the point where they are today. The gap has widened. The countries of the Third World as a whole have become deeply indebted to the Western industrial countries. The problems of poverty and backwardness of the masses in the Third World have become aggravated. Clearly, the strategy has not succeeded even in terms of its own goals and objectives.

The outcome is hardly surprising. It should be transparent even to the most casual analyst that the objective of bridging the gap, as usually defined, is an unfeasible one. One can illustrate the difficulty by merely looking at one particular aspect of the problem of bridging the gap, that of the implied energy consumption. If the whole world were to have the same per capita energy consumption that prevails in the developed Western countries today then the world's energy resources would be rapidly depleted.

Dr Abdel Rahman recommends that past strategy be scrapped altogether in favour of a new one in the context of a new international economic order. Such a new strategy should be worked out not in confrontation but in cooperation with the developed countries. A desirable convergence of the policies in the two sets of countries would consist of the developing countries directing their development and technology to the fulfilment of the basic human needs of their masses, conservation of resources and protection of human environment, and the advanced countries helping such an effort by ensuring the adequate supply of materials and maintaining a stable market for the products of the developing countries. The cornerstones of such an economic order would be the "making of a bargain" between the developed and the developing countries and "considerable departures from the trends and concepts of development, industrialisation and technology".

The Islamic world can make vital contributions to the creation of such

an order. Besides helping in the redefinition of concepts to reshape objectives and policies on the basis of their culture and values the Islamic countries can contribute to the development of cooperation among themselves and with the developed countries by recognising four important elements of such an exercise. First, as the major part of the developing world of Asia, Africa and the Middle-East they can spearhead the development of cooperation in the Third World. Secondly, the united voice of the Islamic world, including some of the most powerful OPEC countries, will be listened to with respect by the rest of the world. Thirdly, the Islamic countries should extend their cooperation beyond the matters of belief and faith to the field of industry and technology. Fourthly, the collective resources of the Islamic countries should be developed on the basis of the current needs and future prospects in such a way that the Islamic world's obligation to the new order is fulfilled. Within this broad framework Dr Abdel Rahman identifies a catalogue of more immediate policies. The major components of such a catalogue are the following: (a) an increase in the share of the developing countries in industry and technology to enable them to reach the Lima Conference target of 25 per cent of the world industrial output by the year 2000; (b) the innovation and creation of appropriate technology and not the indiscriminate borrowing of Western technology; (c) the promotion of collective self-reliance through all available means including collective bargaining; (d) conservation of energy and resources in general; and (e) an attempt to change the "value systems and ethical conduct behind the present wastage and dangerous policies".

Dr Abdel Rahman presents an attractive blue-print. Since his canvas is vast he has used a thick brush to paint impressionistically leaving out the details. Such a painting is undoubtedly inspiring but it is a little inadequate in understanding the terrain. I would like to discuss a few issues on which I found my own understanding a little fuzzy after reading Dr Abdel Rahman's paper.

First, one would like to know why in the developing world, including the Muslim countries, the past strategy of catching up with the developed countries on the basis of borrowed technology was adopted. Was it because the decision-makers had no knowledge of what the right policy was? Was it because they were ignorant of the true consequences of such policies? In reading Dr Abdel Rahman's paper I got the impression at times that in his view this might indeed have been the explanation. I would like to suggest that this is at best an inadequate explanation. The main reason these policies were adopted in the developing (including the Islamic) countries was that they were consistent with the objectives and interest of the powerful social and economic classes and groups who controlled the decision-making in

these countries. To that extent it was irrelevant that such policies were inconsistent with the well-being of the broad masses. To illustrate, borrowed capital-intensive technology in a labour-abundant, poor economy would almost certainly be detrimental to the interest of the masses of such a country. But it is by no means true that it is inconsistent with the objectives of the private capitalists in the same country. Such capitalists often have to pay a market wage which is way above the social cost of labour and hence the technology they adopt is frequently more capital-intensive than is desirable from the standpoint of the society. The balance of advantage is tilted decisively in favour of the borrowed, capital-intensive technology if the capitalists have the power and influence to set up market incentives in their favour through measures such as the underpricing of imported capital equipment (for instance, by keeping the exchange rate for the domestic currency artificially overvalued and rationing import entitlements in favour of the capitalists through licensing), rendering the price of loan funds low through interlocking and oligopolistic control of banking and so on. In such a situation socially inoptimal industry and technology would develop simply because they promote the narrower objectives of the powerful social and economic groups that control decision-making.

In a situation as described above is it reasonable to hope that the developing and Islamic countries would be persuaded by the kind of logic of Dr Abdel Rahman's paper to reject past policies? Why will they opt for a policy of satisfying the basic human needs of their people when such policies would not enable the controlling economic and social classes and groups to maximise their own narrower objectives? It is frequently suggested that the way out in a situation like this is to cajole and persuade the private capitalists and similar other groups to move towards the social goals by bringing about an appropriate change in the system of incentives and market signals. The real question is whether there exists a "neutral" state machinery that would persevere in the implementation of such a policy. I feel that a necessary precondition for the implementation of such a policy is that in these countries the political control rests firmly with the people and not with privileged groups.

This leads us to the question of striking a bargain between the developed and the developing countries that features so prominently in Dr Abdel Rahman's vision. Such a bargain has been in existence all the time. Unfortunately, the bargain has been the one between the privileged social classes in the developing countries and the advanced countries. The benefit of the existing international economic order has been asymmetrical on the different social classes in the developing countries. Industrialisation, trade and the transfer of technology have by and large benefited the privileged classes in the Third World in which the masses

received little benefit out of such arrangements. In the new economic order that is to be created a bargain must be struck between the masses of the developing countries and the advanced nations. It is difficult to see that such an arrangement can be worked out without establishing popular control of the decision-making process in the developing countries.

In my view, the question of who has control over the process of decision-making in the Third World countries is of decisive importance. One cannot talk about reversing undesirable trends in the past and instituting strategies to satisfy basic human needs in future without facing up to this crucial issue. I wish that Dr Abdel Rahman – a man of vast and varied experience – had addressed himself to some of these issues more fully.

The major quantitative recommendation in Dr Abdel Rahman's paper is based on the Lima target of increasing the share of the developing countries in world industrial output from the current share of 7 per cent to 25 per cent by the year 2000. I found it a little puzzling that after so many arguments for the rejection of the indices of growth implied by the Western development experience Dr Abdel Rahman should end up endorsing an index which embodies the values that he would like to reject. It is not at all clear that basic human needs in the developing countries would be satisfied if such countries could make an encroachment on the share of the advanced nations in industrial production. If the objective is to satisfy basic human needs the production plan in the developing countries may have to be radically different.

Be that as it may, even if the developing world as a whole can achieve the rate of growth (which would have to be much higher than that of the developed countries) implied by the Lima target and thereby dramatically reverse the past trend, the implementation of the target will still have to face some very complicated issues. For example, one must face the question of how the target growth will be divided among the developing countries. Will such countries simply compete on the basis of their own resources and/or whatever they can obtain commercially from the rest of the world? In such an event it is quite likely that all that will happen by the year 2000 is that some of the more fortunate developing countries will overcome their underdevelopment to join the ranks of the currently advanced countries while at the same time many Third World countries sink deeper into relative poverty. Such may easily be the outcome for the Muslim world which contains not only the most resource-poor countries of the contemporary world (e.g. Afghanistan and Bangladesh) but also the countries which have virtually unlimited financial resources (e.g. the oil producing Muslim countries). If there is a competition for the share of the Lima target the chances are that at the

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end of the present century the degree of inequality among the developing and the Islamic countries will become much greater than it is today.

The alternative for those countries is to opt for a policy of redistribution among themselves. This is a particularly challenging issue for the Islamic countries. It is to be seen whether the programme of mutual assistance within these nations merely follows the commercial-political criteria that guided much of the Western aid programme in the past or whether it entails greater and more real redistribution by shifting the benefit of aid in favour of the poor in the recipient countries and by increasing the component of grant from the rich to the very poor nations.

The appropriate paths to be followed by the developing and the Islamic countries in their pursuit of industrialisation and technological development would differ from one case to another. It is even doubtful if all of them should industrialise in the conventional sense. While the broad principles may be similar, the specific conditions in these countries are very different from one another. Any new international economic order must look upon these differences as a favourable factor contributing to the complementarity among these countries. Such complementarity may be made to serve as the basis for the rapid increase in trade which is a precondition for the collective self-reliance of these countries.

I would like to identify some of the sources of such complementarity. The first thing to note is the very different resource endowment in the different countries. The spectrum contains extreme labour-abundance and capital-poverty (Bangladesh), financial capital-abundance (the oil producing countries), land-scarcity (Bangladesh and Egypt), land-abundance (Malaysia and Pakistan) and also cases with relative abundance of specific skills (the Indian sub-continent and Egypt). In such a situation the comparative advantage in production as well as the optimum technique of production would differ widely from one country to another. Some countries may find it possible to develop their technology merely by adapting what is available in the advanced countries. For others it will be a question of inventing their own technique to suit the most unusual resource situation that they are confronted with. Another source of complementarity arises out of the diverse social and economic institutions in these countries. Such institutions range from socialism (Somalia) to fairly extreme private-enterprise orientation (Iran). The distribution of income and the resulting pattern of demand for goods and services would differ widely between these countries. This would be further strengthened by the considerably different tastes and preferences of the people of these countries with respect to their consumption.

If each country identifies its own development path correctly and if

there is an institutional framework to promote cooperation by keeping the trade barriers down and by allowing systematic flow of resources from the rich to the poor then the group as a whole could benefit from the complementarity of their economies and gradually move towards collective self-reliance. This, in my view, is consistent with the vision of Dr Ibrahim Helmi Abdel Rahman. One must, however, recognise that the fulfilment of this vision would require a pattern of behaviour on the part of the developing and Islamic countries which is fundamentally different from their past and present orientation. In the past and at present the resources of the richer members of the group have been squandered on the creation of demand for the Western armaments industry and in bidding up the value of real estate and stock exchanges in the advanced countries. Very little of their resources have flowed out to provide the multitudes in the poorer members of the group with the means with which they could satisfy their minimum needs. It requires extraordinary optimism to hope that these tendencies will be easily reversed.

24 Agricultural Resources in the Muslim World Capacity and Future Growth

Ahmed S Heiba

Summary

In this paper on agricultural resources in the Muslim world, certain trends are noted and analysed and recommendations made as follows:

1. The world food crisis confronting mankind is reviewed.
2. The extent to which the Islamic world is subject to this crisis and the pressure directed to the balances of Islamic countries, particularly their balances of payments in hard currency. Massive food imports subject the Islamic countries to political, social, and economic pressures.
3. The increasing population of the Islamic world and its share per capita in various food commodities is less than the average world level.
4. From statistics given, it is possible to estimate the Islamic world's requirements for foodstuffs in 1980, the expected demand up to year 2000 and the expected cost of these commodities in year 2000.
5. The average increase in agriculture and food production in the Islamic world is not in line with the available resources and the increasing demand for food.
6. The Islamic world has considerable natural resources which suit agricultural production (land, water, manpower, animal and plant resources), the proper investment of which may provide food not only to double the current Muslim population but to the world at large.
7. Natural resources of agricultural production in the Islamic world ought to be determined as a basis for an overall programmed plan with fixed priorities and a time foundation for various productive projects.
8. A work programme is suggested for the implementation of a survey for determining natural resources and actual potentialities and the manner of their investment and development.
9. The method is proposed for developing the current potential from available resources in order to raise production and provide food to Muslims.
10. A proposal to form Islamic bodies for food and food production

requirements, in order to formulate a comprehensive Islamic master-plan to determine a method of financing it, and proposals to implement the plan.

The table hereunder reveals the following features:

1. The production of major commodities in the Islamic world in 1973 amounted to 124 million tons of grain, 4.8 million tons of meat and 5 million tons of fish. The total locally-produced basic food amounts to 133.8 million tons.

2. The share per capita per year of major commodities produced in the Islamic world is:

a. Grain	199 kg.
b. Meat	7.7 kg.
c. Fish	8.0 kg.

For comparison it is worth mentioning that the world average share per capita is:

a. Grain	299 kg.
b. Meat	28.7 kg.
c. Fish	17.2 kg.

3. The population of the Islamic world in 1976 was estimated to be about 800 million Muslims. This number is expected to reach one billion in the year 2000 at the current rate of increase i.e. 2.7 per cent per annum. This estimate does not include Muslims in non-Muslim countries.

4. The shortage in major food commodities in the year 2000 (on the basis of the 1973 averages) is estimated to be about 81 million tons which include 75 million tons of grain, 3 million tons of meat and 3 million tons of fish.

5. Whereas world prices in September 1976 formed the basis for estimating prices in the year 2000 and 1976 prices have gradually increased by 100% over those of 1966, the prices in the year 2000 were estimated at double the prices in 1976. On this basis, the price of grain (wheat, corn and rice) was estimated at \$260 per ton and meat at \$2490 per ton and fish at \$3200 per ton.

6. On the basis of the estimates of shortage in food products and the estimated price per ton of various commodities, the costs of providing them was estimated on the basis of the current per capita average of food to the Muslim population of one billion in year 2000 to reach \$36.3 billion per year. If the share per capita of the Muslim world is considered on the basis of world level, the costs of providing the deficit of food for the one billion population in the Muslim world in the year 2000 will rise to \$127.2 billion per annum.

Therefore, the costs of covering the shortage of food production for the

Islamic world amount to about 40 billions annually and will increase in line with the increase in the population of the Islamic world estimated at the current rate of 2.7% per annum, namely an increase of 27 million persons per year.

The Islamic world has natural resources to provide adequate food instead of mere subsistence. The grain shortage estimated in the year 2000 at 75 million tons can be covered by expanding the cultivated area by 50 million hectares only of the total cultivable land in the Muslim world, estimated at 2200 million hectares.

The Sudan alone has the area required to be cultivated to satisfy Muslims. The area of cultivable land in the Sudan is estimated at about 85 million feddans. However, world economic indicators show that the unstable agriculture production which is influenced by drought, floods, cold weather and extreme hot weather could at any time place the world reserves at 1972/73 levels when it was adequate to meet the world demand for not more than 18 days.

If mankind is indeed threatened by a food shortage that could lead to widespread famine. In this situation, it is appropriate to remember the words of God: *"Let them worship the Lord of this House, Who provides them with food against hunger and secures them against fear."* (Al-Qur'an CVI: 4) Also: *"It is He who has made the earth manageable for you, so traverse ye through its tracts and enjoy of the Sustenance which He furnishes; but unto Him is the Resurrection."* (Al-Qur'an LXVII:15)

Introduction

About thirty years have lapsed since John Boyd Orr, the first Director-General of the Food and Agriculture Organisation, called for the setting up of a large scheme for food in the world that would save all peoples from food shortage. However, efforts made at that time failed to meet this challenge. The world food problem not only remains unsolved after the lapse of a complete generation, but is also worsening year by year. The number of people who suffer from food shortage has increased to an unprecedented level and millions now suffer from hunger.

The world food and agriculture situation is causing serious concern for the fourth consecutive year. There were great hopes that 1976 would yield abundant crops to satisfy world needs and help surmount the food crisis which started by widespread unfavourable climatic conditions and low yields in 1972. The year 1973 witnessed a noticeable production increase and there were hopes that the 1974 yield would be abundant and mark the starting point for the restoration of a reasonable level of world food security. The basic food production in 1975 and 1976 was still unstable.

There are fears that climatic changes and resulting food shortage may cause political and economic disturbances in various parts of the world. We are experiencing an unfavourable climatic age, according to American scientist Lodel Bounty, which would lead to a drop in yield and more serious famines.

In his book *Refrigeration* published in June 1976, Bounty forecast that this age might last for forty years producing acute instability and speeding up the atomic armament race. He noted that India was the first of the poor states that considered atomic weapons a better investment than tractors and chemical fertilisers. He made some alarming observations: that the United States can secretly impose bad climatic conditions on the Soviet Union so that the latter would continue to depend on American crops; that the Soviet Union has conducted three atomic explosions for diverting the course of its rivers, a matter which may cause climatic disturbances.

Other reports contain the same gloomy predictions. A study conducted by Dr Ryde Prieson of Wisconsin University attempted to show that the world has entered a stage of unfavourable climatic conditions which may last from 40 years to several centuries and lead to a drop in world crop yield and cause famine in various countries.

The report made special reference to India, China, the Soviet Union and Canada on the grounds that they will be the most adversely influenced by these climatic changes.

Indeed, bad climatic conditions during the past three years were worse than in 1972; their impact was clear in vital areas such as North America (the largest food exporter) and the Far East where most of those suffering from malnutrition live and also in the Soviet Union where cereal production dropped in 1975 considerably below the estimated level. West Europe suffered from drought in 1976, which caused losses in food production.

The continuous shortage in food and agricultural production, particularly basic grains, is caused by an acute shortage in agricultural inputs required for food production. The shortage and rising prices of chemical fertilisers has not improved. Moreover, the quantities of certain important chemicals which are necessary for the control of pests, insects and weeds are diminishing. This problem may become an acute one in the near future. Certain Islamic countries suffer from shortage of fuel and power necessary for pumping irrigation water and for other essential agricultural purposes, and also from the shortage and rising prices of basic agricultural machinery which directly influence production.

This double shortage in food and in its means of production clearly calls for the taking of immediate action if we are to avoid widespread famine in the Muslim world.

1. It is necessary to secure abundant production by the proper use of available natural resources. The extent of these resources must be determined and utilised in such a way as to ensure a fair distribution of food products particularly for countries which are in dire need of food and are most affected by food shortages. Concentrated attempts must be made to avoid such food crises as hit Chad, Somalia, Pakistan, Bangladesh and elsewhere recently.

2. The boosting of production requires the formulation forthwith of a carefully worked-out plan for improving the vertical and rotational productivity of the currently cultivated area; irrigation methods to expand the permanently irrigated area, then the exploitation of the area of arable land which enjoys adequate rainfall but has not yet been exploited by man for one reason or another. Special attention must be directed to the production of fertiliser and chemical plants in the Islamic world in order to boost their production and improve their productivity.

3. It is not enough to allot quantities and quotas of food and agricultural requirements for every Islamic country. Assistance must be given to these countries to improve the quality and quantity of their food production in order to help them meet their current short-term and long-term requirements in line with projected increases in population. Population estimates prepared by the United Nations reveal that the world population in the year 2000 will range between 5.9 billion and 7.2 billion. Other estimates show that the world population may reach 8 billion in the year 2000, including one billion Muslims.

4. It is necessary to establish an Islamic reserve stock of food, especially cereals, to be distributed to the main geographical regions in the Islamic world to cater for the catastrophes which hit certain areas.

The current study is geared towards the various aspects of the series of complex problems that presently confront the Islamic world because the food problem, as will be seen, is not only an agricultural problem but a part of the general intricate and complicated problem of economic and social development. It is a matter of concern that many states in the Third World have directed their attention to industrial development and neglected agriculture in one way or another, to an extent that even an international organisation such as the World Bank channels almost all its credits to industrial development and not to agriculture in developing countries.

When Mr Robert MacNamara became the President of the World Bank, he expressed his concern about this trend. He tried to restore the balance and after years of insistence succeeded in bringing the share of agriculture in the Bank investments to 12% compared to 88% for industrial investment.

It is hoped that Islamic countries will realise that while there are bil-

lions of acres of land which have not yet been reclaimed, certain Islamic countries import billions of dollars worth of foodstuffs. All indications show that such amounts tend to rise because of the population increase, the neglect of agricultural development and over-concentration on industrial development.

In dealing with food production and consumption, the world may be divided into two categories. First, rich countries characterised by a limited population growth rate (which in certain cases reaches approximately zero as in some Scandinavian countries, and not more than 1% in others such as England (0.65%)). These countries have a high food production capacity of at least 2/3 of the world production, and consume 1/3 of the world production. Second, poor countries with a rapid population growth rate which has reached 3.1% or even higher in some cases, while their food productivity is not more than the 1/3 of the world production, though they consume 2/3 of the world production. Since the current average yearly increase in world population is about 76 million, four-fifths of which is in poor countries, this increases the food burden on their population and the pressure on their special budgets. Most of the foodstuffs imported by poor countries are paid for in foreign currencies.

It is worth stating that the world consumption of grain amounts to approximately 1200 million tons per annum at the rate of 300 kg. per person per annum. Livestock consumption of grain amounts to 141 million tons, a situation which has increased the pressure on world reserves year after year and reduces the grain share per capita. The present annual increase in grain production amounts to about 30 million tons, 22.8 million tons of which goes for feeding the annual increase in population and 7.2 million tons for livestock feed.

This distribution of grain consumption is theoretical to a certain extent, for rich countries increase the amount of grain provided to livestock. The effect is to further reduce the grain share per capita.

The Conference of non-aligned countries held in the Algerian capital in September, 1973 was the first to call for the convening of a world conference to discuss the food crisis. Some weeks later the United States of America advocated the same idea before the U.N. General Assembly in New York. On December 14th of the same year the U.N. General Assembly called for such a meeting to be held under the supervision of the United Nations Organisation and nominated a secretariat from specialists of the Food and Agriculture Organisation and the U.N. Conference for Trade and Development.

The Conference was held in Rome from 5-16 November, 1974, and attended by delegations at ministerial level. Representatives of non-governmental organisations also attended as observers. The objectives of the conference were as follows:

- a. To formulate a world policy on food for the control of the hunger which is threatening the world.
- b. To increase food aid to developing and poor countries.
- c. To ensure stability of trade in food products.
- d. To form a reserve for essential food in order to realise food security in accordance with an international undertaking to be observed by all governments.

An increase in food production in the developing countries was considered by the Conference to be one of the major objectives in dealing with the world food problem.

To realise this objective a considerable increase in investment must be made, and fertilisers, loans and all other agricultural services must be provided at the village level. New industries must be provided to process food products.

The following is a summary of the conclusions from successive international conferences on food held in New York, Rome, Bucharest, and from the Islamic Summit Conference held at Lahore (1974).

1. The existing situation of agricultural and food production in the world is serious especially in developing countries which cannot face the increase in demand and surmount the horrifying increase in population. This makes it imperative for concerned persons to formulate an immediate and a long-term development plan for facing the decreasing food supply and to establish adequate food reserves for the future.

2. It is imperative for the Islamic countries to find a solution and implement it at the level of the Islamic world and to determine the exploitable and currently exploited resources in order to develop them and build up a long term plan.

3. A severe crisis threatens mankind unless joint efforts are made to face these problems scientifically. We in the Islamic world have to take immediate action to face this forthcoming crisis.

The resolutions of the World Food Conference held at Rome in November 1974 were of the same practical type. They are summarised as follows:

- a. The establishment of a World Food Council of 36 states which represent the geographical groups in order to follow up and develop the activities of the World Conference.
- b. The establishment of an international fund for agricultural

development in which advanced, developing, rich and beneficiary countries will participate.

- c. A recommendation calling upon states in the various geographical regions to consolidate their efforts and determine their goals in order to promote agricultural production.

We all know the controversies which face such resolutions and cannot deny that they conflict with national or international interests. However, the non-aligned world in particular has for some time exerted its utmost effort to realise the greatest extent of unity represented by political and economic international groups and groupings within itself towards realisation of the same objectives. No wonder, therefore, that the special responsibility of these states arises in respect of the most important and most serious problem of our daily life, namely the food problem.

The World Food Conference resulted in the establishment of an International Fund for Food in which advanced countries and oil producing countries were to subscribe. The Fund has a recurrent capital of \$1,000 million (the advanced countries subscribed 500 million and the oil producing countries paid an equal amount) for the provision of assistance to various countries in increasing their agricultural production.

The annual increase in the population of the Islamic world is about 2.7% while the annual increase in the gross food production of the Islamic world is about 2.5% only and livestock production is less than 1%. Food requirements increase by over 3.8%. Certain Islamic countries are experiencing an increase in the purchasing power of individuals which has consequently raised the average demand for concentrated food commodities such as animal protein, e.g., meat, milk, eggs, and poultry (which are not abundantly available in the Islamic world) from 1956 to 1968 by 60%–70%. During the past six years 1971–76 this rate has increased by one third to reach 80%–93%. Imported livestock products exceeded 250 million dollars and will double by 1985.

The world level of grain production dropped from 1316 million tons in 1971 to 1275 million tons in 1972, namely by 41 million tons; this adding to the hunger of a world which had eagerly waited for the grain yield in 1973. In 1974 hunger and famine became more serious and continued in 1975 and 1976 despite an expected increase of 100 million tons of grain. Therefore, the Islamic world must seriously endeavour to save Muslims everywhere from hunger or humiliation in the quest of food from outside the Islamic world, or from the threats of hunger war proclaimed by rich countries, or from hard political pressure after the "Food for Crude" banner was raised.

There are four methods of increasing agricultural food production in

the Muslim world:

first, by increasing the productivity of the uncultivated areas using the high-yielding varieties, and fertilisers, controlling pests and weeds, limiting crop damage during harvest, and improving transport and storage. It is worth mentioning here that the loss in the world agricultural production, whether in the field or in stores in 1972, amounted to 25% of the gross yield, valued at 25 billion dollars. In 1976 the loss will reach 300 million tons. Loss from pre-harvest attacks on field by birds amounts to 5-8% and from attacks on grain stores by mice amounts to 2.5%.

second, by increasing the area of cultivated land through expanding cultivation in rain-fed areas and the reclamation and cultivation of new areas under permanent irrigation.

third, by modification of agricultural rotation and use of solar rays in shortening the duration of the crops in the land and increasing the number of crops cultivated every year in one area under irrigation.

fourth by finding short duration varieties to enable cultivation of two crops consecutively every year in rain-fed areas.

Until about 1950, expansion of cultivation of new areas was the most important means of increasing the quantity of food production in various countries, but from 1950 onwards the intensification of cultivation became the basis of increasing food production. Since 1970 four-fifths of the annual food increase is a result of vertical expansion in cultivation by the use of chemicals and high yielding varieties. In the coming 1980s we hope that the increase in production will be the result of using short duration varieties.

To what extent can the increase of yield per acre continue? It is noticed that the rate of increase in the yield per acre begins to drop as investments needed to increase productivity after a certain limit exceed considerably the capacity of most agricultural producers. Nevertheless the production of unit area in most poor developing states is far below the productivity realised by advanced states or even the world average. Therefore, the scope of increase by means of vertical expansion in Islamic countries is still very large if the necessary investments, agricultural data and appropriate technology are made available.

Natural Resources in Muslim Countries and its Utilisation

Agriculture Areas

From the table presented below, the utilisation of the agricultural areas could be summarised as follows:

1. The geographical area of the Muslim World is around 3 billion hectares, representing 21.9% of the total geographical area of the world

Areas of land in Continents of the World, 1974.

Region	Geographical area in 1000 ha	Agricultural land		Forests area in 1000 ha	Permanently irrigated land area in 1000 ha
		Cultivated land and perennial area in 1000 ha	perennial pastures and natural pastures		
Africa	3,031,181	211,287	792,203	634,251	
North America	2,246,475	272,918	352,739	786,779	
South America	1,782,980	89,380	385,087	904,905	
Asia	2,754,339	776,738	532,585	564,175	
Europe	493,183	143,257	87,839	143,144	
Australia	850,935	47,187	466,055	86,599	
USSR	2,240,220	232,101	375,800	914,900	
The World	13,399,313	1,772,868	2,992,308	4,034,753	
The Islamic World	2,934,896	241,930	465,776	462,908	37,000
% Islamic World to whole World	21.9%	13.6%	15.6%	11.5%	

which is around 13.4 billion hectares.

2. The cultivated area in the whole world is 1.773 billion hectares, the cultivated area in the Muslim world being 242 million hectares. These figures represent 13% and 8% of the corresponding geographical areas respectively.

3. The share per capita land at the world level is 1.178 ha. while in the Muslim world it is 3.524 ha. per Muslim person. The utilised cultivated area in the Muslim world per capita is only 0.39 ha. with 3.134 ha. left unused and most of the unused areas are rain fed.

4. If we know that the shortage of cereals in the world is around 100 million tons and the average productivity per ha. is around 1.5 tons, we can calculate that only 67 million ha. need be cultivated in the Muslim world to relieve the cereal shortage. This area could be selected in the Sudan with its vast cultivable area of 81.3 million ha. Also, there are vast areas which could be cultivated in Muslim African countries and the Arab world.

5. The pasture areas in the Muslim world are under half a billion ha. compared with world pastures of 3 billion ha. The Muslim pastures represent under 16% of the whole world pasture.

6. Woods and forests in the Muslim world are about half a billion ha. representing 11.5% of the world forests of 4 billion ha.

7. The permanent irrigated area in the world is not estimated but that of the Muslim countries is around 37 million ha. (1973) which represents 15% only of their total cultivated area while the remaining 85% (205 million ha.) is under uncertain rain.

8. The Muslim world is well served by rivers, but floods need controlling and most of these rivers need an infrastructure of dams for controlled irrigation. Nowadays, the Muslim countries are in the process of building dams, e.g. Fum El Gleita on the Grogol in Mauritania, Zango and Mozago dams on Maggia river in Niger, Diana and Monentana on Senegal. The amount of water that could be reserved on these rivers could amount to hundreds of millions of cubic meters. Land around these rivers are of good soil and could be partly irrigated permanently and partly by rain.

A survey of land and water in the Muslim world is a must for the decision of projects that could be implemented within a framework of a master plan for the Muslim world as a whole. With the integration of crop production it may be possible to achieve self-sufficiency.

Population and Manpower in the Muslim World

The estimated population in the Muslim world rose to 623 million in 1972, reaching 750–800 million in 1976, and will total one billion in 2000

A.D. The annual rate of increase in the Muslim world is calculated to be 2.7% or between 2.5–3.5%.

The population connected with agriculture in the Muslim world is about 75% of the total population; that means 467 million people are in the agricultural sector but those economically effective in agriculture are only about 134 million.

In 1970 the population in the Muslim world was 586 million, out of which 392 million were involved in agriculture, which represents 67% of the total population.

The total manpower economically effective in the Muslim world in 1970 was 196 million out of which 134 million were connected in agriculture. The gradual increase in the Muslim population could be summarised as follows:

In 1965 the Muslim population was 508 million; by 1972, it was 623 million. This number represents 16.6% of the world population. In 8 years (1965–1972) the Muslim population increased by 115 million with an average yearly increase of 14.5 million.

From UN statistical data, the Muslim population in the Muslim World was some 700 million in 1975. The true figure could well be more than that (750–800 million), because of the fact that UN estimations are conservative.

Characteristics of Agriculture in the Muslim World

The agriculture situation in the Muslim world has certain characteristics which distinguishes it from the state of agricultural production in developed countries. Some of these characteristics are listed below:

Only 11% of the land in the Muslim world is under cultivation, large fertile areas with sufficient rainfall remain uncultivated. Productivity per hectare of some crops in some Muslim countries is higher than the world average. The average productivity for all the Muslim world combined falls short of one quarter of world average productivity.

Traditional cultivation techniques which are outdated are used. Production requirements are lacking thus limiting agriculture to subsistence levels.

Low productivity seeds are used instead of high-yielding new hybrid forms. While most landowners possess practical experience, they are poor in capital and technical know-how. There is a lack of national and cooperative banks which could provide financing on easy terms. Proper irrigation techniques are not common knowledge. This causes crops to suffer from weakening factors. Water resources are so misused that with some rationalisation the irrigated area (which is currently 40 million ha. or about 16% of the total cultivated area) could be significantly increased

with the use of the existing water resources.

Farm wastes have not been subjected to modern techniques for increasing soil fertility.

Hunger is one of the most severe problems which at present confronts the Muslim countries as members of the developing world for example:

1. There are 300–500 million undernourished Muslims who could face famine at any time. Their number represents about 40% of the Muslim people.
2. One out of each five Muslim children die before reaching five years of age, and at least half of the survivors are victims of under-nourishment.
3. Malnutrition to which Muslim mothers are exposed during pregnancy endangers the growth of babies and could cause them to suffer from mental retardation.
4. Food consumption in the Muslim world is below world average. Many Muslim areas, especially those subjected to frequent natural disasters, suffer from food shortage.
5. Food production has been growing at 2.6% in the Muslim world but, as a result of high population growth, this has not improved per capita food consumption.
6. 70–80% of GNP is expended by Muslim governments on the importation of food due to high world food prices.

International reports show that food imports of Muslim countries have doubled ten-fold since 1976. Iran heads the list of ten countries purchasing food from the American stock, with its purchases reaching £757 billion in 1974. The same reports note increasing attention paid to food requirements in the Muslim world.

Should the Muslim world accept the challenge posed by hunger, it will have to double its food production by the year 2000. This requires the bridging of the current supply gap through integration and cooperation within the framework of a systematic food plan over the next 23 years.

Cereal Production in the Muslim World

The total production of cereals (wheat, sorghum, millet, corn, barley and rice) in 1972 was estimated to be 124.2 million tons. The present estimation is 134 million tons in 1976.

The production of cereals in the 3 main regions of the Muslim world in 1972 was as follows:

- a. Asia – 79.4 million tons with the majority in rice production.
- b. Africa – 17.1 million tons with the majority in sorghum and millet.
- c. Arab world – 27.7 million tons with the majority in wheat.

The per capita consumption in the 3 regions was as follows:

- a. In Asia 211.8 kg./year
- b. In Africa 149 kg./year
- c. In Arab countries 256 kg/year.

The general average of cereal consumed by the Muslims in the Muslim world is 199.6 kg/year.

The percentage of cereal production in the Muslim world to the whole world is 9% whereas the percentage of Muslim population to the world population is 16.6%. So it is imperative that the Muslim world should increase its production by 6.9% so as to reach parity with the rest of the world. This shortage of cereals is a heavy burden on the Muslim countries' budgets, exposing them to foreign pressure economically and politically.

The following table shows the inadequacy of cereals production as related to the increasing population and also the gradual decrease in the Muslim share per year.

Year	Population in millions	General Production in million tons	Average consumption per person per year in kg.
1968	553	112	202
1969	570	115	201
1970	587	117	199.3
1971	605	119	196.7
1972	623	124	199
General Average:			199.6

From this table we can draw the following conclusions:

1. The increase in the Muslim population is constant.
2. The increase in cereals is fluctuating and not in pace with the increase in population.
3. The increase of cereal production in 1968/1969 was 3 million tons only, while the increase of population was 17 million with an average of

176.5 kg/person/year and this is below the general average of 199.6 kg.

4. The increase of cereals in 1969–70 was recorded as only 2 million tons, the Muslim population increased by 17 million representing an average of 117.6 kg/person/year.

5. In 1970/71 the increase in cereal production was 2 million tons while the increase in population was 18 million which means that the share/person/year was 111.1 kg.

6. In 1971/1972 the production of cereals recorded 5 million tons while the population increase was 18 million with an average per person of 277 kg/year. This increase in production retained the normal average of 199.6 kg/person/year.

The following table summarises the per person share of consumed cereals in the main regions of the Muslim world.

Year	Population in millions			Cereal production in million tons			Average share/person/year in Kg.		
	Asia	Africa	Arab	Asia	Africa	Arab	Asia	Africa	Arab
1968	330	103	120	73	15	24	221	145.6	200
1969	340	106	124	76	18	22	223.5	169.8	177.4
1970	351	108	128	79	17	21	225.1	157.4	164.1
1971	362	111	132	80	16	22	221	144.1	166.7
1972	373	114	136	79	17	28	211.8	149.1	205.9
General Average:							220.5	153.2	182.8

Livestock Production in Muslim World

Turning to the livestock production situation in the Muslim world the following may be noted.

1. The total number of animals in 1971 reached 571.6 million head and in 1972 it recorded 575.2 million – an increase of 3.6 million head.

2. The cattle in the Muslim world represent 13% of the world's cattle herds.

The buffaloes in the Muslim world represent 18% of the world total.

Camels in the Muslim world are more than 79% of the world total.

Sheep are 22% and goats 41%.

The animal population in the Muslim world represents 21% of the world total of animals.

3. In 1972 it was recorded that animals in Asia were 276.1 million, Africa 112.4 million and the Arab world 186.7 million.

4. The animal population in Asia and the Arab world was more in 1972 than in 1971, but decreased by 1 million in Africa because of the severe drought that hit the Sahelian zone in 1972. The increase in Asia was 0.65%, in the Arab countries 2%; however, in Africa, there was a decrease of 1.5%. The decrease in the animal population in five Muslim countries (Niger, Mali, Upper Volta, Senegal and Cameroon) amounted to 2.12 million head, in 1972. Niger was the most hard-hit, losing 1.2 million head, Mali – 0.45 million, Upper Volta 0.3 million and Senegal 0.15 million. The least affected Muslim country in the Sahelian zone was Cameroon with a loss of 20,000.

In spite of the vast pasture area in the Muslim world, animal production remains backward as a result of insect and disease attacks. As an example, in Africa if the disastrous tse-tse fly could be controlled in only 7000 km² (700 million hectares or 1750 million acres), 1.5 million additional tons of meat could be produced annually which is worth 750 million dollars. A de-infestation project is likely to cost \$2250 million and would take 20–30 years to complete.

5. As for meat production in the Muslim world the situation could be summarised as follows:

a. Total meat production in the Muslim world in 1972 was 4.8 million tons. The cattle and buffalo meat share was 2.2 million tons, sheep and goat 1.4 million tons, poultry 0.6 million tons and 0.6 million tons from offal and wild animals.

b. The number of animals slaughtered in 1972 was 143.4 million head comprising 16.4 million cattle, 2.0 million buffaloes, 76.2 million sheep and 48.8 million goats.

c. Meat production in the Muslim world is about 4.4% of meat production in the world. Cattle and buffaloes slaughtered in the Muslim world is 5% of the world and sheep 14%.

d. Asia produced in 1972 1.87 million tons of meat, Africa one million tons and Arab countries 1.93 million tons.

e. The per capita share in meat production in the Muslim world is 7.7 kg/year compared with the world level of 28.7 kg./year. This unevenness of distribution among the world population on the one hand and the Muslim world on the other is very significant.

Fish Production in the Muslim World

Summarising fish production in the Muslim world the following points could be mentioned:

1. The total fresh-fish catch in the Muslim world in 1973 was about 5.1 million tons, 2.4 million tons from Asia, 1.7 million tons from Africa and 914,000 tons from the Arab world.
2. Indonesia was the leading Muslim country in fish catches in 1973. It produced 1.3 million tons which is about the same as the total catch of the 15 Muslim countries of Africa which netted 1.7 million tons.
3. The percentage of the fresh fish catch in the Muslim world to the world total is 7.5%.
4. The per capita share of the Muslim world fish catch is 8 kg/year as compared with 17.2 kgm per capita per year in the world.

Shortage of Food

Statement of the most important factors responsible for the world food shortage.

The factors that have caused the shortage of food all over the world are many, variable and inter-related. Some of these factors are attributable to uncontrollable elements such as the climatic conditions. However, these factors can be adjusted by genetic changes in plants so that they will adapt themselves to severe weather conditions such as drought or floods, cold weather, frost, or the length or shortness of light. There are also the factors resulting from diseases and pests in the fields and stores; these can be directly controlled by the use of chemicals.

We can summarise some of the causes that lead to the shortage of food in the world as follows:

The Rapid Growth of the World Population

The world population is estimated to increase at about 2% per annum. Moreover we know that every second carries with it a new problem for the world, for it has to provide food for two newly born babies, that is to say it has to provide food for 7,500 persons every hour, 170,800 persons every day and about 65 million in 1973 and continued in the following years bringing the world's population in 1975 to about four billion persons.

To combat food shortage and its terrible consequences the Muslim world needs to lay down an integrated strategy for agricultural development geared towards achieving self-sufficiency. Data collection is an important pre-requisite for developing such a strategy.

Lack of Data about Food Production in the Muslim World

Data collection concerning the various resources in the Muslim world has become essential at the present time, especially after the shortfalls in agricultural production.

There are certain established facts that might strengthen the demand for laying out a Muslim strategy at present and it might be useful to summarise some of them as follows:

1. Natural resources for agricultural production in the Muslim world have not been defined because they are not yet known with certainty and the available data and statistics are based on world sources rather than from the Muslim countries themselves. Moreover, most of them are based upon estimated calculations that do not completely represent reality and most probably they do not give sufficiently accurate information that could be depended upon in establishing a long-term food production strategy.
2. There is no Islamic reference source that can provide data and statistics about production, consumption, and storage of foodstuffs. Further expectations for production and consumption and the amount of increase and decrease in these commodities are not as yet well defined.
3. There is no available detailed information about development plans in Muslim countries. Such information is very important in building up an integrated plan for food production.
4. There is no information on the problems hindering agricultural production in each Muslim nation individually. Naturally there are common problems between geographically similar regions which could be studied by Muslim scientists. In reality all that we know about these problems is their result which appears clearly as low levels of production and productivity.
5. World and Regional Agencies perform certain studies. Yet, these studies are not easily accessible to specialists of agricultural production who lack coordination amongst themselves. Assistance offered by these agencies is required to attain the aim of agricultural development and to enable specialists to put together the components of a Muslim agricultural plan. A Muslim Specialised Agency should coordinate all these studies so that they might contribute towards formulating the plan and developing methods of agricultural cooperation that would achieve the optimum investment of natural resources in Muslim countries.
6. The Muslim Nation is rich in scholars and specialised personnel in all branches and fields of agriculture, economics, construction and engineering sciences. These technocrats of the Muslim world should get together as we are now, in this Conference, to exchange ideas within a framework of a well defined plan.

Projection of Food Commodity Production and Consumption

The main objective in studying the natural resources of the Muslim world and its present food production and consumption together with the projection of such in the future, is to be aware of the inevitable deficit so as to build up a plan to avoid increasing insufficiency in food in the Muslim world. The following are some projections:

The yearly average rate of increase in population, food production and demanded consumption, could be summarised as below:

- | | |
|---|------|
| 1. The average rate of increase in population | 2.7% |
| 2. The average rate of increase in food commodities | 2.6% |
| 3. The average rate of increase in demand | 3.4% |

The Muslims consumed, in 1965, 16.6% of the world production of grains and this percentage of grains increased significantly to arrive at 18.5% in 1975. It is predicted that the percentage of demands will reach 19.3% in 1980.

The Muslim population consumed 15.7% of the world rice production in 1975 and this is predicted to rise to 17.6% in 1980. They will need 21.5% of the coarse grains of the world production in 1980. As for sorghum and millet Muslims consumed 30% of the world production in 1975 while the consumption for 1980 will be 31.5%.

The consumption of sugar by the Muslim population averages 1.1% of the world production.

The present consumption of food commodities and the future prediction of demands as compared with the present production must urge Muslim scientists to cooperate in finding the means and methods to overcome a real challenge of famine facing the Muslim world.

The task requires scientific methods and should involve the following:

1. A survey of the resources – in detail.
2. A knowledge and analysis of the problems that inhibit the development in food commodity production.
3. Forecasting demands on different agricultural food crops.
4. Building up a master plan to be implemented on a short and long term basis. For the short term plan, the following targets could be set:

- a. To improve productivity of present cultivated areas to reach the world average in both irrigated and rain-fed lands. This means better utilisation of present cropped land.
- b. To increase the production of modern inputs such as nitrogenous and other fertilisers from the present plants in the Muslim world.

- c. To liberate bounded Muslim lands by connecting them with marketing centres by roads and transportation facilities.
- d. To improve the use of available water resources and expand irrigation farming.
- e. To develop animal livestock for better breeds.
- f. To achieve a better management of pastures for the production of more meat.
- g. To achieve a better use of forests as a source of raw material for industry.
- h. To achieve a better utilisation of inland and sea-water for higher fish catch.

As for the long-term plan:

- a. Preparation of integrated agricultural projects.
- b. Conversion from rain-fed agriculture to continuous irrigation by storing the floods of rivers.

The most important factor in bringing all the above ideas to reality is to find the money needed for their implementation. At present poor Muslim countries cannot find enough money to buy food from the world market. Tomorrow, rich Muslim countries will not find food in a dry world market but they may have piles of money and gold.

The Muslim world is rich in as yet un-estimated agricultural resources which could be utilised not only for the Muslims but also for all humanity.

25 Financial and Economic Cooperation among Muslim Countries

S Shahid Husain

Financial and economic cooperation among Muslim countries has been a subject of great interest in recent years. A number of proposals in this regard have been considered and some have even been implemented, but the need for greater cooperation continues to be keenly felt. In fact, the need acquires added urgency in the context of major problems facing the world economy. The talks on liberalisation of trade are moving slowly. The international monetary crisis has not yet been fully resolved. The problem of the debt burden of the LDCs continues to be significant. Official development assistance as a percentage of the GNP of donor countries has been declining. These factors affect our countries individually in many different ways, but they also affect them as a group of less developed countries with a distinct heritage and common bonds. It is, therefore, important to ask ourselves how we can join hands to increase the pace of socio-economic progress of our peoples against the background of a troubled world economy.

The effectiveness with which we can deal with our own economic problems and play a useful role in the world economy depends to a great extent on the degree of cooperation we can achieve among ourselves. Although religious affinity, common traditions and similarity of problems can facilitate economic cooperation, yet, to be successful, such cooperation must have a sound economic basis. The world has seen many an effort at economic cooperation and integration. While some have succeeded, a number of them have languished because they did not generate enough mutual economic benefits or were troubled by political or ideological differences. In this paper, I therefore propose to explore whether the conditions for successful cooperation among the Muslim countries exist and if so what types and forms of cooperation are likely to be viable.

We all share a common religion and, to varying degrees, a common culture and traditions. There are no serious ideological conflicts. Inevitably, there are political differences but none that cannot be overcome for common good. We are all part of the Third World with a pressing

need to improve the social and economic conditions of our people. However, similar though the outlook and problems of Muslim countries are, there is among them a great deal of economic heterogeneity. It would, therefore, be worthwhile to review the economic characteristics of these and examine their implications for financial and economic co-operation.

Economic Characteristics

There are, at present, about forty Muslim states in the world. They are spread over three continents with climates varying from temperate to tropical. Their political spectrum is as varied as their geographical spectrum. Their total population is about 700 million, or one-sixth of the world population, and ranges between two hundred thousand for Qatar to 131 million for Indonesia.* In terms of area the smallest state is Bahrain with 1,000 square kilometres and the largest is the Sudan with about 2.5 million square kilometres.

The lowest population density is in Mauritania with 1.28 persons per square kilometre and the highest density is in Bangladesh with 550 persons per square kilometre. In 1975, seven of the Muslim countries had a population of less than one million and twenty five had a population of less than ten million. Most of the population was thus concentrated in about a dozen countries.

While some of the countries such as Saudi Arabia, Libya and Algeria contain large uninhabitable desert areas, there are countries with a good potential for agricultural development such as Egypt, Iran, Pakistan, the Sudan, Malaysia and Turkey. The oil-producing Muslim countries hold a major part of world oil reserves and currently produce a major share of world output. In 1972, the share of Muslim countries in world exports was about 75% for oil and rubber, 35% for cotton, 44% for jute, 34% for palm nut kernels, 36% for groundnuts, and 54% for olive oil.

There is considerable disparity in the economic size, level of development, and economic performance of the Muslim countries. In 1975, Iran had the highest GNP with US\$49 billion and Gambia the lowest with US\$0.1 billion. The per capita income ranged from US\$11,510 for Kuwait to US\$1,440 for Iran to US\$90 for Mali and Upper Volta. During the period 1965-74, their GDPs and per capita incomes had grown at very different rates. Thus, apart from major oil-producing countries which were a special case and registered high rates of growth of GDP, Lebanon, Syria, Tunisia, Turkey, Indonesia, Malaysia, and Cameroon experienced a growth rate of about 6%, Bangladesh, Jordan,

* See end of chapter for detailed tables. These tables are based on available data for thirty-nine Muslim countries.

and Senegal 1.0% or less, and Chad and Niger even showed negative growth rates. The performance regarding per capita income growth was equally varied with several countries showing negative growth rates, and only a few (apart from oil-producing countries) showing a growth rate of more than 4%. Taking all the Muslim countries together, about half the countries had a per capita income of less than US\$300 in 1975 and no country except oil-producing countries had a per capita income of more than US\$1,000. The average per capita income was only about US\$500 in 1975.

We notice a similar diversity in the industrial structure of the Muslim countries. In 1973, only Bahrain had a high share of the manufacturing sector in the GDP mainly because of petroleum refining. Six of the countries (Egypt, Malaysia, Pakistan, Syria, Turkey, and Cameroon), had a share of between 15% and 25%. On the other hand, there were fourteen countries with 35% or more of their GDP originating in agriculture. There were also a number of countries with a very low agricultural share. For example, Algeria, Bahrain, Kuwait, Libya, Oman and Saudi Arabia had an agricultural share of less than 10%. These together with Iran, Iraq, and Mauritania are also the countries which have a predominant share of "other industry" (which includes oil production and minerals) in GDP. The share of "other industry" was very small in the rest of the countries.

In terms of international trade, the Muslim countries appear to have largely open economies. The share of exports in GDP was more than 40% in nine countries (five of them oil exporters) and more than 20% in twenty-three countries (fourteen of them oil exporters). The import share was more than 20% in about two-thirds of the countries and more than 40% in one-fifth of the countries. In general, the export and import ratios tended to be high for oil-producing countries and some of the small African countries.

External accounts exhibit the same diversity of behaviour as the other economic indicators. In 1975, large current account deficits were run by Algeria, Egypt, Indonesia, Pakistan, and Turkey, and large surpluses were experienced by Iran, Iraq, and Saudi Arabia (data on other oil producers were not available). There were few non-oil producers that did not run a deficit. In fact, there were 22 Muslim countries (including some oil-producing countries) that had a current account deficit in 1975. Large international reserves have been accumulated by the oil-producing Muslim countries, mainly Algeria, Iran, Iraq, Kuwait, Libya, and Saudi Arabia. Malaysia and Turkey also had sizeable reserves. The majority of the countries, however, had a rather low level of reserves.

In 1974, the total trade (exports plus imports, f.o.b.) among Muslim

countries amounted to about US\$12.0 billion and constituted about 7%* of their international trade. The share of exports to other Muslim countries in total exports varied from negligible for some countries to very high for the Middle Eastern countries. Twenty-two of the countries (ten of them major oil-exporting) were exporting less than 10% of their total exports to other Muslim countries and only nine countries were exporting more than 15%. The share of imports from other Muslim countries ranged between negligible and about 51% of total imports of an individual country. Twenty-seven countries (nine of them major oil-exporting) imported less than 10% of their total imports from other Muslim countries.

The picture that emerges from the above description is that of great economic diversity among the Muslim countries. They have vastly different resource endowments, levels of economic development, growth rates, and degrees of openness. To an extent these differences may place limitations on the expansion of economic relations among some of the countries. But, by and large, they indicate a substantial complementarity in resource endowment, economic structures, trading patterns, and external balances. There should, thus, be great potential for increased economic exchange and financial cooperation.

Although the Muslim countries are heterogeneous in several respects, yet they have some basic and important similarities: they are all underdeveloped and several of them are among the poorest countries of the world; their manufacturing sectors are very small; productivity especially in the agriculture and informal sectors is very low; the service sector including the financial sector is underdeveloped; and they have generally low literacy rates.

It is also possible to divide the Muslim countries into subgroups of similar countries. For example, most of the oil-producing countries have high per capita incomes, balance of payments surpluses, large capital outflows, large international reserves, high export and import ratios, small agricultural sectors, medium to small manufacturing sectors, small populations, and shortage of labour. On the other hand, there are countries that have small populations and relatively low per capita incomes such as Afghanistan, Cameroon, Chad, Gambia, Mali, Niger, Somalia, Upper Volta, and Yemen.

A third group could consist of large countries with relatively developed industrial and agricultural sectors. Turkey, Malaysia, Egypt, and Pakistan would fall into this category although they cover a wide range in terms of per capita income.

A fourth group could be of large and densely populated countries with

* Since we have excluded the cost of freight and insurance from the data of mutual trade, this share is slightly understated. See Table 2 at end of chapter.

heavy pressure on presently developed resources such as Bangladesh, Indonesia, Pakistan, and Syria.

The groupings given above are meant to be neither comprehensive nor exclusive. Obviously, there are countries that would fall into more than one category. Other groupings can be formed on the basis of other economic criteria. What these groupings show, however, is that there are clusters of similar countries within the larger group of Muslim countries covering a wide range of economic size and development. They suggest a good potential for increased economic exchange of certain kinds within the subgroups and some other kinds across the subgroups. This issue will be discussed in more detail later on.

Areas of Cooperation

Financial and other types of cooperation including trade are closely linked. Although cooperation in the financial field alone is possible, its benefits increase more than proportionately as it is extended to other fields. There would be little need for, nor much benefit from, such cooperation if other economic relations among the countries are minimal. However, if real economic exchange is considerable, financial cooperation would yield direct benefits as well as promote this exchange. We will, therefore, deal with financial as well as other related areas of cooperation.

There are a number of Muslim countries which have abundant capital resources but shortage of manpower. These are mainly oil producing countries which also have substantial balance of payments surpluses on account of oil exports. Among the rest of the countries some have large populations and, therefore, a potentially large labour force, and some have a rather low population-land ratio, but almost all of them have shortage of capital and most of them have experienced balance of payments deficits. We have already noted that all the Muslim countries are underdeveloped. Therefore, we have an obvious case of different factor endowments and a potential for increase in the welfare of all Muslim countries through either increased factor mobility or increased exchange of goods or both. The case for enhanced trade will be discussed later on. But there could be considerable mutual benefits from increased movement of capital and labour across the countries. Some of the relevant aspects of factor mobility are discussed below:

1. Movement of labour by its nature is cumbersome, but there can be situations when labour movement is the optimal solution. In recent years, the labour-scarce Muslim countries have imported, mostly on a temporary basis, significant quantities of manpower especially from other contiguous countries. These countries will continue to feel the

need for importing manpower in the foreseeable future in order to maintain their pace of development. The labour-abundant Muslim countries can easily manage to supply the necessary manpower. There are, however, a number of potential problems in the large-scale transfer of labour. Firstly, the importing countries may be justifiably cautious about disturbing their internal population balance. Secondly, the exporting countries may experience serious shortages of particular skills arising from emigrating manpower. Thirdly, importing labour on a purely temporary basis can entail large economic costs and considerable human hardship: there would be costs of location and relocation, training expenses, and problems of adjustment in new surroundings and of re-entry into the home country. Although some of the problems can be resolved on a bilateral basis, it is desirable that the whole issue is dealt with at a multilateral level. The aspects that require urgent attention are the systematisation of labour supply and improvement of pre-emigration training in the exporting countries, expansion of the services required to facilitate adjustment in the host countries, collection of data on labour movement, and forecasts of future demand and supply of manpower in the countries concerned. Another important issue is how far the import of labour can be purely temporary. In this regard the importing countries need to formulate a long-term immigration policy based on their development programme and labour needs. Temporary importation of labour can meet the needs to an extent but cannot be a permanent solution. An unstable labour force with its inevitable socio-economic problems is neither in the interest of host countries nor the exporting countries. The host countries should, therefore, allow for the permanent immigration of some part of the labour. They should, of course, specify their preferences regarding skills, background, place of origin, etc., in keeping with their needs and cultural milieu.

2. There are fewer problems involved in the movement of capital. Here, the main considerations are inadequacy of return and security of capital for the investor. The capital-surplus countries obviously have to compare the alternative investments in the industrialised countries with those in the Muslim countries. Investment in the latter would appear to be less secure and instruments of investment are not as numerous. The returns on physical investment in the Muslim countries, however, can be very high especially in comparison to purely financial investment in the industrialised countries. At the same time, the investment portfolio can and should be diversified with a consequent reduction in risk. Whatever risk is attached to investments in the Muslim countries could also be covered by a mechanism of joint guarantee which will be discussed later. In any case, a relatively small part of investible resources of the surplus countries can properly be absorbed by, and will need to be diverted to,

the capital-scarce Muslim countries. There is, thus, a good case for increased capital movement especially on a medium- and long-term basis. This would compensate for differing factor endowments and enhance the pace of development in all the countries.

3. There is also a need for short-term capital movement. As noted above, some Muslim countries have persistent balance of payments surpluses while others have deficits. These imbalances stem largely from the trade pattern in oil and are mostly run against outside countries (although intra-group trade in oil is also responsible for them). True equilibrium can, therefore, be reached only on a world basis. Nevertheless, short-term loans or balance of payments support by surplus countries can provide crucial assistance to deficit countries. This would help the deficit countries in protecting the pace of development by avoiding actions that would either depress their economies or reduce essential imports. Once again, the surplus countries would have to channel only a small part of their surplus for this purpose and a mechanism for reducing the risk needs to be devised. It should be noted that such loans are already being made by surplus countries on a bilateral basis. However, there is a need for increasing the size of support and a multilateral arrangement to ensure greater continuity and to reduce the risk of default.

In 1975, the total trade of the Muslim countries amounted to about US\$180.0 billion and trade among themselves amounted to about US\$12.0 billion. The total value of world trade in 1975 was about US\$1,600 billion. The total trade and the intra-group trade of the Muslim countries thus accounted for 12% and 0.8% of the total world trade respectively. The intra-group exports were 5.8% of their total exports. This share increases to 16% if the exports of oil-producing countries are excluded. The share of intra-group imports in total imports was 8.2%. Obviously, the size of the mutual trade of the Muslim countries is quite small compared to their share in world trade and should be susceptible to increase. Enhanced trade would also have a strong positive impact on the GNP of these countries. To the extent that there cannot be completely free movement of factors, increased mutual trade could compensate for it and improve resource allocation.

An examination of the major imports and exports of the Muslim countries reveals a certain pattern. Practically all the countries import their capital goods from the industrialised countries. There is very little trade in these goods within the group mainly on account of the underdeveloped industrial sectors. Some of the countries such as Turkey, Iran, Egypt, Pakistan, Malaysia are at a stage that they can go into an economic production and export of these goods if there is an assured wider market. There is, therefore, potential for increasing trade in these goods

and expanding the industrial sectors of some countries in the process.

The oil-surplus countries are mainly dependent on oil exports to the industrialised countries. Most of them import machinery as well as manufactured goods and food for domestic use. The countries mentioned in the previous paragraph export some of these manufactured and food items. In several cases, trade in the same or similar goods is being done with the third countries. With better market information and standardisation, it should be possible to divert this trade to the Muslim countries. It should certainly be possible to increase agricultural exports from countries like the Sudan, Pakistan, and Egypt to the oil-surplus countries.

Several of the Muslim countries have a high potential for further increase in manufacturing and agricultural output for they possess the requisite skills, relatively cheap manpower, and the technology to do so. Most of them are also large, relatively poor, and capital-scarce countries. This is a situation in which a linkage between trade and capital movement can yield high dividends. The oil-surplus countries can provide necessary resources for investment in these countries for the expansion of their industrial and agricultural sectors. These countries can then export the requisite goods to the oil-surplus countries. In some cases even the repayment of loans or repatriation of profits could be linked with investments in the exporting sectors. Increased exports from the non-oil producing countries would also help their balance of payments position.

A number of countries, especially the oil-surplus countries, are undertaking large-scale development programmes. They are at the same time deficient in planning and construction capacity. The countries that have passed through the earlier stages of industrialisation and infrastructure building have acquired the necessary skills and construction capacity which can be imported by the former set of countries. To an extent this is already happening. But the planning of projects and construction of plants is also being done on a large scale by the non-Muslim countries. The Muslim countries, therefore, should explore the means of supplying these services from among themselves and upgrading them wherever necessary.

Other services such as commercial banking, shipping, and insurance should be expanded. Either joint ventures could be floated or better facilities could be provided for their operation when owned by other Muslim countries. At present, most of these services are being supplied by third parties and there is no reason why Muslim countries cannot provide these services themselves.

There are a number of economic and financial problems that are peculiar to the Muslim countries and require serious research for finding proper solutions. Some examples are the need for improvement of arid

agriculture and tropical crops, the finding of construction materials and styles suitable to a hot climate, increasing water availability, the prevention of desert encroachment on arable land, and the examination of the role of interest in a modern economy and implementing the Islamic alternatives. Clearly, we need to invest not only in physical capital but also in research and development to find appropriate technological solutions to our problems.

The Muslim countries are already cooperating in some of these areas. There are a number of bilateral and multilateral agencies (more than fifty by one count) active in development finance. These are mainly located in the Middle East, financed by oil-surplus countries and covering a majority of the Muslim countries. Obviously, their individual coverage and emphasis are quite different. Many provide bilateral assistance and most of them are based on geographical and historical relationship. Bilateral assistance has been especially large in recent years. Among the multilateral agencies only the Islamic Development Bank is meant to cater for all Muslim countries. There have also been efforts at increasing mutual trade and services, but, given the magnitude of problems and the potential for improvement, past efforts appear to be far from adequate. The resources devoted towards these ends are insufficient and the effort has been unsystematic.

There is, therefore, considerable need as well as scope for a vehicle for greater financial cooperation, factor movement, and trade among the Muslim countries. Given the multiplicity of existing institutions and their common financing, other institutions may neither be welcome nor feasible. On the other hand, any form of cooperation that does not institutionalise the arrangement is devoid of continuity and vitality. Our approach towards increased cooperation should, therefore, be to accomplish as much as possible by first strengthening the existing institutions, widening their scope, or increasing their resources. In areas without any existing agency, such as trade, we can set up a new agency or a working group to promote the activity. The purpose should be to optimise the use of existing mechanisms and proceed gradually to establish others.

Recommendations

The Islamic Development Bank should act as the main vehicle for providing medium- and long-term funds for the development of capital-scarce countries. Constituted in 1975 with a membership of 27 Islamic states, it has just started its operations. Its authorised capital is 2 billion Islamic dinars (= US\$2.4 billion) and the initial capital is 750 million Islamic dinars. Its functions include equity participation, investment in

infrastructure, granting loans to public and private sectors in member states, accepting deposits and raising loans, promotion of foreign trade among member states, providing technical assistance and training in the field of development, conducting research in economic and financial activities, and cooperating with other international organisations. However, the initial operations of the Bank are expected to concentrate on project financing and co-financing.

The charter of the Islamic Development Bank is sufficiently comprehensive and covers several of the areas of cooperation discussed above. What needs to be ensured is that in practice it does not confine itself to any particular mode, that it is sufficiently flexible in its approach, and earnestly develops the non-traditional activities assigned to it by its charter.

The authorised and subscribed capital of the Islamic Development Bank is still small compared to the needs of the poorer member states. To meet these needs, it should act as a major vehicle for mobilisation of financial resources not only from the Muslim countries but even from outside for the benefit of the member states. For this reason it will have to be very dynamic and very well-staffed. It should work towards reduction of restrictions on capital movement. In order to increase the flow of private capital it should devise a system of guarantees against risk of default. In order to perform its various functions properly and to help the members develop closer economic relations, the Bank should keep itself informed of developments in the Muslim countries and help them harmonise their policies in areas of common interest.

There is at present no institution engaged in providing short-term finance nor is there a financial centre within the Muslim world where short-term loans could be floated or international securities traded. Short-term loans or payments support is being extended on a bilateral basis. Recently, twenty-one members of the Arab League have established the Arab Monetary Fund (AMF) with a capital of about US\$910 million. Its functions include the development of closer economic and monetary cooperation among the members, financing of payments deficits, extending short- and medium-term loans on a concessional basis, providing guarantees for bilateral loans made to member countries, management of multilateral clearing among Arab countries, facilitating investment of the reserves of member countries, and promotion of trade. The AMF would obviously be active in financial matters but its operations would be confined to the Arab countries.

There is a clear need for an agency to perform similar functions for the larger group of Muslim countries. One solution could be to set up another Fund for the Muslim countries, but it would not be desirable to do so, for the Fund will have to compete for resources as well as staff

from the same sources as the AMF and the Islamic Development Bank. As such, it would be better if the Arab Monetary Fund could be expanded to include other Muslim countries as its members. A Fund comprising Muslim countries rather than just Arab countries would gain in strength and size of economic operations without any detriment to the interests of the present members of the AMF. In fact, the benefits to both surplus and deficit countries are likely to increase when a wider choice of borrowers and investments becomes available.

The total reserves of the Muslim countries towards the end of 1976 amounted to about US\$55.0 billion or 22% of the total world reserves. If only 10% of these reserves were to be deposited with the Islamic Fund, the latter would have resources in excess of \$5.0 billion and could be a powerful agency not only in providing assistance to the deficit Muslim countries but also in representing them in the international economic system. An urgent need facing us at present is to reduce the flow of resources to the industrialised countries and channel them to the needier Muslim countries. An agency like the Islamic Fund can become an important vehicle for redirecting this flow of resources.

To the Islamic Development Bank could also be assigned some of the responsibilities relating to financial matters. There is no reason why the Bank cannot perform the functions normally identified with an international monetary institution. The nature of the functions of a "fund" in less developed countries would be closer to a development bank than to an agency concerned with monetary cooperation, stabilisation policies, foreign exchange rates, and the maintenance of a stable international monetary system. The latter functions would in any case continue to be performed by the IMF. The Islamic Development Bank should, therefore, extend its operations to programme and short-term lending. It should also devise a system of providing guarantees to bilateral commercial loans and investments.

A committee of the representatives of the Central Banks/Finance Ministries of the Muslim countries should also be set up. This committee could have a permanent secretariat and hold periodic meetings to consult on monetary and financial matters and make recommendations regarding short-term loans, payments support, and commercial banking. It should work towards greater harmonisation of fiscal and monetary policies among the member countries. In order to promote factor and trade flows, it should study and make recommendations to reduce or eliminate double taxation, restrictions on direct investment or remittances of profits, risk of expropriation, and controls on commercial loans among member countries. This committee should work in conjunction with the Islamic Development Bank or the Islamic Fund. It could perform certain functions directly but work as an advisory body to those institutions in

regard to other functions that the latter can discharge more adequately. One of these agencies should also be made responsible for evolving a co-ordinated approach towards the reform of the international monetary system and define the role of the Muslim countries in the emerging order.

Financial cooperation is not very beneficial or even meaningful without close and improving trade relations. We have already examined the potential and desirability for increased trade among the Muslim countries. However, there is no existing agency or mechanism to serve this objective. Increase in trade among the Muslim countries is mentioned among the functions of the Islamic Development Bank. Being in a nascent stage, the Bank has not yet devised a means to do so. But benefits from increased mutual trade are likely to be substantial and immediate steps need to be taken to attend to this function. As a starting point, a section on mutual trade may be established within the Bank (or even in the secretariat of the Islamic Conference) to study the extent, type, composition, and direction of the trade of Muslim countries to find out the potential areas of increased trade. It could also recommend reduction or elimination of trade restrictions among the Muslim countries. Other steps that can promote trade are the reciprocal establishment of trade offices and exchange of commercial information, compilation of and easier access to production and trade data, better facilities for exchange of business delegations, and guidance on how to improve marketing in various countries.

One important means of promoting trade within the Islamic countries is to establish an agency on the pattern of the Export-Import Bank of the United States or the Export Credits Guarantee Department of the United Kingdom. This agency could be assigned the functions of extending credit to the exporters or importers of the member countries; insuring, in conjunction with an insurance agency or by itself, export or import credit provided by private business or commercial banks; discounting loans extended by commercial banks; and participating with other lenders in extending trade credits. The capital for this agency could be contributed by member countries and it could be run either on profit or no-profit basis. In any case, it could perform invaluable service by assuming (in fact diversifying) the commercial and political risks of traders and banks, overcoming the inability of the private sector to provide longer-term financing, helping the traders to deal with the export credit competition from non-Muslim countries, and become a useful source of trade information.

Improvement of trade is one of the functions of the Islamic Development Bank. As such, the above mentioned activities could also be assigned to it. However, if it is felt that the Bank would thus be over-

burdened, a separate self-supporting agency with an initial capital could be established. In that case other trade-related functions could also be performed by the latter.

In order to promote trade as well as initiate financial cooperation, the Muslim countries could establish a multilateral clearing arrangement. At the minimum, the claims of countries could be settled not only by taking into account counter-claims of trading partners but also the claims of third countries. Net claims could, therefore, be worked out on a multilateral basis. This would have two advantages: (a) to the extent that claims can be settled mutually, foreign exchange transactions could be reduced and the size of foreign exchange balances required would be lower; (b) since the payments constraint would be partially relaxed, mutual trade would tend to increase. We could also go a step further by setting up a payments union in which net claims will not have to be paid immediately and automatic credit would be extended to deficit countries for a limited period. By postponing payments over time, this arrangement not only allows the benefit of credit but also the opportunity of balancing trade.

The clearing house or the payments union could be attached to the agency concerned with the payments imbalances, such as the proposed committee of the Central Banks.

There need not be any separate agencies to conduct research and training in areas of special interest to Muslim countries. Relevant research projects could be initiated by the concerned multilateral agencies. Those that do not fall within the purview of these agencies could be assigned to the existing national institutions and necessary financial support provided.

To promote trade as well as financial relations, it is necessary that commercial banking is expanded and made more efficient. Multinational Muslim banks can be promoted for this purpose and establishment and operation of the branches of banks from other Muslim countries could be facilitated. This function could also be performed appropriately by the proposed committee of the Central Banks.

At present, most of freight and insurance services are provided by corporations located in the industrialised countries. Value added and profits, therefore, accrue to these countries. A substantial part of this can be diverted to the Muslim countries by setting up joint corporations to provide these services. The economies of scale and competition with well established Western companies would probably preclude a successful operation of national ventures.

Conclusion

This paper has made an attempt to survey the avenues of economic cooperation among the Muslim countries and to suggest the lines along which such cooperation can be achieved or at least initiated. It would be obviously difficult to launch all modes of cooperation simultaneously and immediately. We already have the beginnings of some common institutions. As a first step we could expand the operation of these institutions to include those functions that are already part of their charters or can easily be included. The next step should be to establish working groups to investigate in detail the desirability and feasibility of other modes of cooperation and the mechanics of their establishment. The reports of these groups should then be considered by the full session of the Islamic Conference and agreed proposals adopted.

TABLE I

Economic Characteristics & Performance of 39 Muslim Countries.

Country	1 Population 1975 ^{1,2} (Thousands)	2 Area ²⁵ Sq km (Thousands)	3 Population Density (per Sq km)	4 GNP at Market Prices ^{1,2} 1975 (US\$ Millions)	5 GNP per Capita at Market Prices 1975 ^{1,2} (US\$)
Afghanistan	16,670	648	25.17	2,160	130
Algeria	15,747	2,382	6.61	12,290	780
Bahrain	260	1	260.0	630	2,440
Bangladesh	73,600	143	549.65	8,820	110
Cameroon	7,260	475	15.28	1,940	270
Chad	4,035	1,284	3.14	490	120
Egypt	37,096	1,001	3.79	11,550	310
Gabon	536	268	2.0	1,200	2,240
Gambia	519	11	47.18	100	190
Guinea	5,540	246	22.52	710	130
Guinea Bissau	520 ¹⁴	36	14.44	210 ¹⁴	390 ¹⁴
Indonesia	131,610	1,904	69.12	24,180	180
Iran	33,996	1,648	20.63	48,820	1,440
Iraq	11,120	435	25.56	14,260	1,280
Jordan	2,709	98	27.64	1,240	460
Kuwait	980	16	61.25	11,280	11,510
Lebanon ⁴	3,164	10	316.40	3,290	1,070
Libya	2,442	1,760	1.39	12,400	5,080
Malaysia	12,030	333	36.13	8,690	720
Mali	5,677	1,240	4.58	540	90
Mauritania	1,322	1,031	1.28	410	310
Morocco	16,680	445	37.48	7,890	470
Niger	4,562	1,267	3.60	600	130
Oman	773	212	3.65	1,600	2,070
Pakistan	69,229	804	86.11	9,380	140
Qatar	202	22	9.18	1,680	8,320
Saudi Arabia	8,296	2,150	3.86	24,960	3,010
Senegal	5,000	196	25.51	1,850	370
Sierra Leone	2,982	72	41.42	590	200
Somalia	3,180	638	4.98	320	100
Sudan ³	15,550	2,506	6.21	4,510	290
Syria	7,409	185	40.05	4,870	660
Tunisia	5,590	164	21.89	4,230	760
Turkey	40,098	781	51.34	34,590	860
U.A.E.	656	84	7.81	6,870	10,480
Uganda	11,556	236	48.97	2,880	250
Upper Volta	5,900	274	21.53	560	90
Yemen (A.R.)	6,471	195	33.18	1,380	210
Yemen (PDR) ³	1,677	288	5.82	410	240

TABLE I continued

Country	6 Average Annual Real Growth Rate of GNP per Capita ² 1965-1974 (%)	7 Average Annual Growth Rate of Population ² 1965-1974 (%)	8 Average Annual Real Growth Rate of GDP ¹⁵ 1965-1973 (%)	9 Share of Manufact. in GDP ⁵ 1973 (% of GDP at Current Factor Cost)	10 Share of Agriculture in GDP ⁵ 1973 (% of GDP at Current Factor Cost)
Afghanistan	1.1	2.2	3.2	10.8 ¹⁸	50.9 ¹⁸
Algeria	4.5	3.3	7.0	12.2 ⁹	8.0 ⁹
Bahrain	21.2	3.1	n.a.	42.4 ¹¹	1.0 ¹¹
Bangladesh	1.9	2.3	0.4	8.3	56.1
Cameroon	4.0	2.0	6.7	15.3 ^{8,9}	32.1 ⁹
Chad	1.5	2.0	0.9	8.9	43.7
Egypt	1.0	2.4	3.3	21.6 ⁸	31.2
Gabon	6.2	1.5	8.6	7.6	11.8
Gambia	3.2	2.2	3.3	3.3	55.5
Guinea	0.1	2.8	3.3	5.6 ^{10,11}	47.2 ^{10,11}
Guinea Bissau	5.2	0.7	n.a.	n.a.	n.a.
Indonesia	4.1	2.3	6.8	9.2 ¹¹	40.9 ¹¹
Iran	7.7	3.2	11.3	11.9	12.1
Iraq	4.8	3.3	5.9	10.4	17.6
Jordan	2.5	3.4	0.8	12.1 ⁸	14.1
Kuwait	2.3	7.8	4.7	2.7	0.3
Lebanon ⁴	3.7	2.8	6.2	14.6 ^{8,9}	9.5 ⁹
Libya	6.5	4.2	10.5	2.6	2.7
Malaysia	3.8	2.6	5.8	15.4	30.5
Mali	0.4	2.1	3.2	9.3	42.7
Mauritania	1.3	2.5	3.7	3.7	28.7
Morocco	2.8	2.4	4.9	13.2 ¹⁰	24.3 ¹⁰
Niger	3.8	2.7	2.1	12.6	42.0
Oman	19.2	3.1	20.0	0.1 ⁹	9.8 ⁹
Pakistan	2.5	2.9	5.3	15.5	35.8
Qatar	8.1	8.5	10.3	n.a.	n.a.
Saudi Arabia	9.2	1.8	12.7	6.6	3.0
Senegal	0.9	2.7	1.0	12.8	40.7
Sierra Leone	1.4	2.3	2.9	6.0	31.3
Somalia	1.1	2.4	4.1	n.a.	n.a.
Sudan ³	4.3	2.2	5.5 ²⁶	8.0	38.2
Syria	4.2	3.3	6.6	19.3 ¹⁰	17.3 ¹⁰
Tunisia	5.4 ²⁷	2.3	7.7	10.8	19.5
Turkey	4.3	2.6	6.6	23.6 ⁷	27.3
U.A.E.	10.4	17.1	23.7	n.a.	n.a.
Uganda	0.7	3.1	4.0	8.4	52.7
Upper Volta	0.5	1.9	2.7	14.9	45.2
Yemen (AR)	n.a.	2.4	n.a.	67.5 ²⁹	67.5 ²⁹
Yemen (PDR) ³	4.3 ²⁸	2.9	n.a.	1.8 ¹⁸	21.4 ¹⁸

TABLE I continued

Country	11	12	13	14	15
	Share of "Other Industry" in GDP ^{5,6} 1973 (% of GDP at Current Factor Cost)	Share of Exports in GDP ^{5,12} 1973 (% of GDP at Current Market Prices)	Share of Imports in GDP ^{5,12} 1973 (% of GDP at Current Market Prices)	Current Account Balance (Goods, Services and Transfers) ¹³ 1975 (US\$ Millions)	International Reserves ¹³ 1976 (US\$ Millions)
Afghanistan	3.0 ¹⁸	14.8 ¹¹	15.4 ¹¹	n.a.	154.6
Algeria	31.7 ⁹	27.6	35.6	-1,656.0	1,987.0
Bahrain	32.3 ¹¹	n.a.	n.a.	n.a.	442.4
Bangladesh	4.3	7.3 ³⁰	13.0 ³⁰	-570.7	288.9
Cameroon	5.6 ^{9,19}	29.4	27.8	n.a.	28.8 ¹⁶
Chad	2.1 ²⁰	26.7	39.6	-52.5	3.1 ¹⁶
Egypt	5.2	14.2	19.6	-1,397.0	294.0 ¹⁶
Gabon	49.8	69.0	62.8	-111.6	146.1 ¹⁶
Gambia	1.1	48.0	59.8	9.1	20.6
Guinea	16.7 ^{10,11}	8.9 ²²	34.7 ²³	n.a.	n.a.
Guinea Bissau	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	12.3 ¹¹	18.2	21.2	-1,109.0	1,499.0
Iran	47.4	27.5 ¹¹	18.8 ¹¹	12,228.0 ¹⁴	8,833.0
Iraq	36.2	38.9	20.5	1,428.0	2,727.3 ¹⁶
Jordan	9.2	23.5	58.4	67.6	491.3
Kuwait	69.8	77.6	13.1	n.a.	1,928.6
Lebanon ⁴	6.2 ⁹	46.3	56.4	n.a.	n.a.
Libya	65.3	59.2	39.4	-480.0	3,206.0
Malaysia	12.1	44.7	38.2	-186.0	1,524.0 ¹⁶
Mali	4.4	24.1	36.3	-64.8	4.2 ¹⁶
Mauritania	42.2	55.9	63.5	-43.1	82.0
Morocco	13.8 ¹⁰	23.6	24.9	-535.0	491.0
Niger	7.5	17.1	22.5	-13.3 ¹⁴	82.5
Oman	71.4 ⁹	65.2	47.5	n.a.	n.a.
Pakistan	6.0	15.1	18.5	-1,022.0	532.0
Qatar	n.a.	n.a.	n.a.	n.a.	104.4 ¹⁶
Saudi Arabia	72.4	78.0	22.4	16,350.0	27,025.0
Senegal	5.2	22.7	28.6	-65.7 ¹⁴	25.3
Sierra Leone	20.1	30.4	34.8	-63.4	25.2
Somalia	n.a.	28.4	48.4	-51.7 ¹⁴	85.0
Sudan ³	7.0	21.2	19.2	-468.9	23.6
Syria	3.6 ¹⁰	25.1	27.2	93.0	735.0 ¹⁶
Tunisia	16.0	24.9	29.9	-183.0	371.0
Turkey	6.5	8.1	9.1	-1,824.0	1,123.0
U.A.E.	n.a.	n.a.	n.a.	n.a.	n.a.
Uganda	3.2	18.5	14.5	-19.7	56.6 ²⁴
Upper Volta	5.6 ²¹	7.6	23.5	-3.8 ¹⁴	71.4
Yemen (AR)	4.7 ²⁹	n.a.	n.a.	n.a.	720.0
Yemen (PDR) ³	8.9 ¹⁸	n.a.	n.a.	-99.5 ¹⁴	54.6 ¹⁶

TABLE I notes

¹Preliminary data.²Source: *World Bank Atlas*, 1976.³Estimates of GNP per capita, and its growth rate, are tentative.⁴The GNP figure is for 1974. GNP per capita estimated on the 1972-74 base period.⁵Source: *World Tables*, *World Bank*, 1976.⁶"Other industry" includes: mining (including petroleum and natural gas production) and quarrying; construction; electricity, gas and water.⁷Including mining, electricity, gas, and water.⁸Including mining.⁹At market prices.¹⁰At constant market prices.¹¹1972.¹²Includes exports (imports) of goods and nonfactor services.¹³Source: *International Financial Statistics*, IMF, March 1977.¹⁴1974.¹⁵Source: *World Tables*, *World Bank*, 1976. Table 1, page 192.¹⁶1975.¹⁷Source: *Yearbook of International Trade Statistics* Volume I, U.N.¹⁸1969.¹⁹Construction only.²⁰Excluding public construction.²¹Excluding electricity, gas and water.²²Merchandise exports only.²³Merchandise Imports plus net nonfactor services.²⁴1970.²⁵Source: M. L. Qureshi: *Problems and Prospects of Development and Economic Cooperation Among Islamic Countries*, Pakistan Institute of Development Economics, Islamabad, 1974.²⁶A tentative estimate.²⁷Relates to 1961-74.²⁸Relates to 1969-74.²⁹Net Domestic Product at Constant Factor Cost.³⁰1971.

n.a. not available.

Note: The data in the above table should be regarded with caution. They have been obtained from several sources, and have a varying quality and coverage. Some inconsistencies are, therefore, to be expected. The list of the countries was taken from M. L. Qureshi, cited above.

TABLE II
Exports and Imports of Muslim Countries, 1975

Country	Exports Muslim Countries (Million US\$)	World Exports (Million US\$)	Share of Exports to Muslim Countries in World Exports (%)	Imports from Muslim Countries (Million US\$)	World Imports (Million US\$)	Share of Imports from Muslim Countries in World Imports (%)
Afghanistan	31.7	163.2	19.5	45.3	293.1	15.5
Algeria	29.5	4,438.0	0.6	117.5	6,383.2	1.8
Bahrain	209.7	1,107.3	18.9	611.5	1,188.9	51.4
Bangladesh	58.5	336.3	17.4	76.4	1,268.8	6.0
Cameroon	9.9	446.5	2.2	47.4	596.2	7.9
Chad	9.0	60.3	14.9	8.6	123.4	7.0
Egypt	163.3	1,551.0	10.5	164.2	4,346.4	3.8
Gabon	38.5	1,053.2	3.7	3.9	589.8	0.7
Gambia	0.8	51.7	1.6	4.3	58.1	7.3
Guinea	10.4	138.9	7.5	21.8	154.3	14.1
Guinea Bissau	0.1	12.0	1.0	0.4	38.3	1.1
Indonesia	128.2	6,981.7	1.8	142.4	5,159.3	2.8
Iran	240.0	18,283.0	1.3	308.2	10,346.0	3.0
Iraq	856.3	7,123.4	12.0	313.5	3,557.2	8.8
Jordan	75.4	152.8	49.4	145.1	732.4	19.8
Kuwait	695.3	8,655.0	8.0	166.5	2,385.7	7.0
Lebanon	794.3	1,169.3	67.9	321.2	2,330.9	13.8
Libya	97.7	5,706.9	1.7	286.8	4,399.5	6.5
Malaysia	155.3	3,805.6	4.1	331.7	3,520.1	9.4
Mali	3.6	39.9	9.1	14.3	222.9	6.4
Mauritania	3.2	213.5	1.5	20.8	195.8	10.6
Morocco	112.8	1,572.3	7.2	163.9	2,631.2	6.2
Niger	1.6	73.7	2.2	7.7	164.2	4.7
Oman	13.0	1,366.9	0.9	84.2	863.9	9.7

TABLE II continued

Pakistan	351.8	1,064.5	33.1	393.9	2,190.2	18.0
Qatar	43.3	1,480.6	2.9	57.2	582.1	9.8
Saudi Arabia	1,148.0	28,210.0	4.1	633.2	7,176.0	8.8
Senegal	51.7	412.6	12.5	29.6	576.4	5.1
Sierra Leone	1.9	155.7	1.3	3.1	135.7	2.3
Somalia	50.9	79.2	64.2	18.5	207.6	8.9
Sudan	71.9	498.8	14.4	92.3	1,007.5	9.2
Syria	119.4	963.9	12.4	187.5	1,702.7	11.0
Tunisia	128.5	857.5	15.0	93.3	1,421.8	6.6
Turkey	240.6	1,400.9	17.2	846.8	4,737.8	17.9
Uganda	24.8	278.1	8.9	1.2	196.6	0.6
U.A.E.	121.2	5,738.3	2.1	274.9	2,622.3	10.5
Upper Volta	1.6	41.0	3.9	0.9	146.5	0.6
Yemen (AR)	2.9	10.9	26.8	39.6	293.9	13.5
Yemen (PDR)	32.9	330.0	10.0	50.2	192.2	26.1
TOTAL	6,129.7	106,024.5	5.8	6,129.7	74,744.9	8.2

Source: IMF, *Direction of Trade, Annual 1969-1975*.

Note: The f.o.b. value of both exports and imports has been taken in order to exclude the cost of freight and insurance, most of which may not be accountable as a receipt for either of the trading partners.

26 The Role of the Islamic Development Bank in the Future Economic Order

Ahmad Mohamed Ali

I thank the Islamic Council of Europe for inviting me to this International Economic Conference on the Muslim World and the Future Economic Order, and for giving me an opportunity to present the Role of the Islamic Development Bank in the Future Economic Order.

May I point out at the outset that the Islamic Development Bank as an international financial institution has the satisfaction of being an association of developing countries alone and this represents an example of collective self-reliance among developing countries, which in fact is the central theme of our Conference here.

The Bank, which came into being in October 1975, has been set up in recognition of the need for fostering the well-being of the peoples of the participating countries and for achieving a harmonious and balanced development of these countries. It is based on the conviction that such development can be best advanced through mutual financial and economic cooperation among the States which are members of the Islamic Conference. It is designed to promote and strengthen cooperation among its members in the economic, social and other fields of activity. It is development, investment and welfare orientated and seeks to mobilise financial and other resources both from within and outside the member countries and is expected to promote domestic savings and investment and a greater flow of development funds into the member countries.

Its functions are:

1. To participate in equity capital of productive projects and enterprises in member countries;
2. To invest in economic and social infrastructure projects in member countries by way of participation or other financial arrangements;
3. To make loans to the private and public sectors for the financing of productive projects, enterprises and programmes in member countries;
4. To establish and operate Special Funds for specific purposes;
5. To operate Trust Funds;
6. To accept deposits and to raise funds in any other manner;

7. To assist in the promotion of foreign trade, especially in capital goods, among member countries;
8. To invest suitably funds not needed in its operations;
9. To provide technical assistance to member countries;
10. To extend training facilities for personnel engaged in development activities in member countries;
11. To undertake research for enabling the economic, financial and banking activities in Muslim countries to conform to the *Shari'ah*;
12. To cooperate, subject to the Agreement, in such a manner as the Bank may deem appropriate, with all bodies, institutions and organisations having similar purposes, in pursuance of international economic cooperation;
13. To undertake any other activities which may advance its purposes;
14. To conduct its operations in accordance with the principles of *Shari'ah*.

The present membership comprises 32 countries. The Bank is a completely independent institution operating in accordance with its Articles of Agreement and having its own Board of Governors and Executive Directors.

The authorised capital of the Bank is two billion Islamic Dinars and the subscribed capital is seven hundred and fifty million Islamic Dinars payable in freely convertible currency acceptable to the Bank in five equal annual instalments. The Islamic Dinar, which is the unit of account, is equal to one Special Drawing Right of the International Monetary Fund.

Unlike other international development banks, the Islamic Development Bank is also authorised to accept deposits from individuals, institutions and governments. The Bank is also empowered to set up Special Funds and to manage Trust Funds.

It is one of the principal objectives of the Bank to strengthen cooperation and also to promote foreign trade specially in capital goods among member countries.

In the months following its establishment, the Bank has tackled the task of completing the necessary physical arrangements and laying down its organisational structure and the recruitment of professional staff. It has also had to devote considerable time to the formulation of its policy guide-lines in view of the fact that it is required to function on the basis of Islamic principles. It has had to find its own path as there exist no models which it can readily follow. This is indeed a difficult and complex task as it not only involves interest-free financing but new ideas about development objectives which have in turn implications of a far-

reaching character for every aspect of its activities. The absence of interest income on a fixed basis in the case of the Islamic Development Bank, which in the case of other international banks provides, so to speak, a built-in margin of profitability, indeed calls for a highly sophisticated, organised and quantitatively precise approach and basis of operations. What is more, the Bank may well have to devote special attention to sectors not adequately served by other agencies.

The operations of the Islamic Development Bank fall into three categories:

1. Equity Financing;
2. Participation in productive projects and enterprises on the basis of profit-sharing;
3. Interest-free loans for infrastructure projects.

Usually there is a long interval between the establishment of an international development bank and the start of its financing operations, as the assembling of professional staff and laying down of the initial guidelines take considerable time. The Islamic Development Bank has, however, been anxious to make the quickest possible start with its financing operations. With this end in view, it has taken the rather unusual step of preparing a comprehensive document on its policies and operations setting out its initial ideas. The object is to acquaint the member countries with the Bank's thinking, so that they can assume the initiative in offering possibilities of financing, thereby saving the time which is taken up in project-identification through the mounting of special missions. The President of the Bank has visited and made direct contacts with almost all the member governments. All this has greatly expedited the preparation of a sizeable stock-pile of projects.

The Bank has already commenced its financing operations. It has approved the financing of the following projects:

1. A loan of six million Islamic Dinars (approx. US\$7 million) to the Song Loulou Hydro Electric Project in Cameroon in the form of co-financing;
2. Equity Participation through the acquisition of 400,000 shares amounting to seven and a half million Islamic Dinars (approx. US\$9 million) in the Jordan Petroleum Refining Extension Project;
3. Joint Participation in a Cotton Textile Mill in Sudan of up to two million Islamic Dinars (approx. US\$2.5 million).
4. A loan of six and a half million Islamic Dinars (approx. US\$2.5 million) to the Hargeisa Borama Road Project in Somalia in the form of co-financing.

5. A loan of six million Islamic Dinars (approx. US\$7 million) to the Kurmitola International Airport Project, Dacca, Bangladesh in the form of co-financing.

6. A loan of US\$5 million to the Nyala-Kas-Zalinge Road Project in Sudan.

7. A loan of US\$3.5 million for the supply of scientific laboratory equipment to technical and secondary schools in Sudan.

8. A loan of US\$5.6 million to the Birni N'Konni irrigation project in Niger.

9. A grant of US\$51,000 in technical assistance to Guinea for training personnel for the Petroleum Refinery Project.

10. Equity participation amounting to US\$4.04 million in the National Refinery in Pakistan.

11. A loan of US\$7 million for the Stacix fishing port in Tunisia.

Thus, by the grace of Allah, it has been possible for the Bank to go into business in the very first year. Now that a good part of the ground-work has been done and with a large number of projects in the pipeline, it is expected that with the improved availability of staff, the Bank's financing operations will pick up and gain momentum during its second year.

The Bank will finance projects/enterprises which are technically sound and economically and financially viable. All projects/enterprises to be financed by the Bank will be subject to rigorous appraisal and evaluation by the Bank. A project/enterprise with a high financial rate of return and a high economic rate of return will be preferred. Preference will be accorded, as far as possible, to all sub-regional and regional projects/enterprises and to those projects which promote complementarity in the economies of member countries. Priority will also be accorded to loans for projects which demonstrate clear efforts towards self-help and have a strong social orientation. For financing purposes, the Bank will give priority to those countries which are least developed economically among its members. Priority will also be accorded to those countries which have the largest commitment to economic development as reflected in their resource mobilisation effort, development programmes and the orientation of their economic and financial policies. The Bank will have to be proximate to the projects that it finances. It will have to exercise its right of full access to all information pertaining to the working of an enterprise which it has financed.

One of the leading objectives of the Bank is to organise itself to facilitate a transfer of technology and skills from within its membership and also to serve as a clearing-house for the mobilisation of outside technical assistance. This service would be particularly welcome to such of the member countries as have provided large financial resources to the Bank.

Their real need is to be able to utilise the huge capital resources that they have with the help of modern technology. The Islamic Development Bank can render highly valuable service in this field. Such a transfer of technology and skills from amongst member countries would also have the indirect effect of bringing them closer and clearing the way for economic cooperation and integration. Over the years the Bank could be assigned the task of coordinating the regional development financing effort and help bring about the necessary harmony in the efforts and activities of the various development financing agencies in the region.

Conventionally, international development banks invest funds not needed in operations in government securities, government guaranteed securities, time deposits and certificates of deposits. However, having surveyed the various alternative possibilities which seem to exist for the placement of funds and bearing in mind the requirement of the Islamic Development Bank in terms of security, liquidity, and a return based on performance and the avoidance of a pre-determined interest rate, it appears that the Bank may have to seek and develop new modes for the placement of its uncommitted funds. Such modes and methods may be radically different from those being currently employed by other institutions. A postulate on which it would perhaps be reasonable to proceed is that such efforts may have to be made in cooperation with the member governments.

One of the methods which the Bank has started to apply is the financing of foreign trade of member countries. The first experiment which the Bank has undertaken in this respect was the financing of raw material imports (coke and copper) to Algeria. The Bank has been successful in concluding an Agreement for the purchase of US\$13 million worth of such material and its subsequent resale to Algerian companies. The payment of the resale value will be made within twenty-one months. A similar deal has been approved for Turkey for the purchase of coke with US\$15 million as an initial step.

This represents an important step towards the successful short-term placement of uncommitted funds. More member countries have expressed a desire for similar deals. The Bank also hopes that further methods in short-term placements in trade, agriculture and industry will be made.

Before I conclude, I would venture to suggest that while the Islamic Development Bank is designed to assist such members of the Islamic Conference as are its members, the activities it is expected to undertake are by no means devoid of interest for developing countries generally. On the contrary, in many ways its work and operations could have significant implications for the development financing process and its conceptual framework. For one thing, the Bank will undertake interest-free

financing from its ordinary resources. In a situation where the existing institutions providing concessional finance are finding replenishment of resources increasingly difficult, this would represent a big stride in the field of concessional financing and open a way of mitigating the interest burden problem. Moreover, the Bank will focus primarily on equity financing – an area which has remained grossly neglected with its difficulties and complexities and implications by way of involvement in ownership, management and supervision. Again, the Bank's participation in productive projects and enterprises on the basis of profit-sharing may well require a rather decentralised and different organisational structure than is the case with the other international development banks. Furthermore, the fact that the Bank cannot charge or receive interest, is also likely to have significant implications. This factor will act as a catalyst forcing the Bank to be active and to operate on the basis of the minimum surplus and this would result in the funds being used more actively for development financing. At the same time, it would oblige the Bank to seek new modes and instruments of placement of its surplus funds so that the funds not needed in the Bank's operations immediately would be utilised for the economic development of its member countries instead of finding their way to the international money market.

It has to be noted that from its very inception, the Bank has been alive to the need for forging the closest ties with other international development financing agencies, and also national development banks and institutions, so as to be able to make the largest contribution to the development of its member countries. With this object in view, the Bank has decided to move in the direction of joint-financing arrangements with other co-lenders which would enable it to make the quickest possible start. In doing so, the Bank's attitude and operations would be conditioned by two main requirements. In the first place, it would seek to ensure that the aggregate flow of resources to its member countries would be enlarged and that the co-financing arrangement would have the effect of providing additionality to the resources available to its member countries. The additionality could be judged with reference to the country's programme or in terms of ensuring that the financing effort by the Islamic Development Bank will call forth some additional resources from its co-lenders. Secondly, while in the initial stage having to rely more on the technical appraisal of its partners the Bank would not hesitate to influence their judgement and to interest them in projects for which the Islamic Development Bank has a higher priority. In any case, it would consciously guard against the risk that the co-financing and parallel-financing arrangements lead to any complacency on its part to develop its own technical apparatus. In fact, the Bank is striving to equip itself rapidly for independent operations in the shortest possible time.

What is more, whether it is co-financing arrangements or independent operations, the Islamic Development Bank would seek to operate on the principles which are enshrined in its Articles of Agreement and which give it a personality of its own.

I hope I have given you a clear and precise picture of the subject before you and I look forward to the learned discussion that will follow so as to gather the words of wisdom that will assist the Bank in performing the task ahead.

I would like to reiterate my thanks to the Islamic Council of Europe for inviting me to this distinguished gathering to give a talk on a subject that is close to my heart. May the efforts of the Islamic Development Bank forge new trails in the future economic order, *In shā' Allah*.

27 The Conference Communique

The Islamic Council of Europe convened the International Economic Conference in London between July 4–9, 1977, to discuss the theme: The Muslim World and the Future Economic Order.

The Conference was attended by Muslim scholars, statesmen and officials who deliberated on this theme in twelve working sessions.

The Conference was guided in its deliberations by a profound consciousness of its responsibilities toward mankind, and of the pivotal role which the *Ummah* must play in evolving a comprehensive way of life in accordance with the values and principles of Islam.

Islam encompasses a complete human order of which the economic system is an integral part. The Conference identified the following as some of the essential characteristics of the Islamic economic system.

1. Faith in Allah who has given Man the capacity to choose between good and evil, and to assume full responsibility for his conduct.
2. The Islamic economic system is based on social justice, equity and moderation.
3. It is a universal system embodying eternal values which safeguard man's rights while constantly reminding him of his obligations to himself and to society.
4. It forbids exploitation in all forms and strictly prohibits *riba* (interest of any kind).
5. It honours labour, enjoins hard work and encourages man to earn his living by honest means, and to spend his earnings in a sensible way.

The prevailing economic system has proved arbitrary, sterile and unjust. The so-called new International Economic Order, which lacks any moral basis, has no prospect of realising its stated objectives. The Conference emphasised the need to evolve a new order based on Islamic principles.

The Conference noted the enormous material and human resources of the Muslim world which, if properly utilised, could satisfy the economic needs of its people.

The Conference came to the following conclusions:

Data and Information Flow

A major institutional need to improve cooperation amongst Muslim countries was the provision of information from an accessible and centralised source. This will act as a clearing house for relevant information, regarding economic performance, capital flows and developments in trade patterns of Muslim countries.

The Conference noted with appreciation the proposal to establish a Statistical Economic and Social Research and Training Centre in Turkey under the aegis of the Islamic Secretariat.

Planning

There was urgent need for the coordination of development policies and plans of the Muslim countries. This might be attempted through a process of *sub-regional planning* which would eventually provide the guidelines for the drawing-up of a comprehensive plan for the economic and social development of the Muslim world as a whole.

Agriculture

The Muslim world was, at present, a net importer of food products although it possessed the necessary land and water resources to obtain very substantially increased output. In order to achieve this, it was necessary to undertake a survey of land and water resources and their use. A model based on different assumptions regarding prices, cropping patterns and output should be developed. On the basis of such studies a comprehensive plan for developing the agricultural resources of the Muslim world should be made, with particular emphasis on attaining self-sufficiency in food. As this process would take time, some countries like Sudan, Turkey, Pakistan and Bangladesh with the appropriate factor-endowments should be immediately selected for implementing a crash programme in this direction.

Industry and Technology

Institutional arrangements must be developed which would provide guidelines for rapid industrialisation of the Muslim world as a whole. As part of a phased programme in moving towards this objective, the first step should be trade liberalisation among Muslim countries, alongside

the adoption of certain lines of production for which they were better endowed and equipped. In order to speed up the process of technology transfer and development of an indigenous technology, it was necessary to achieve greater self-reliance in education, science and technology. A suitably endowed Muslim World Foundation should be set up for this purpose.

Oil

It is the inalienable right of sovereign Muslim nations to exercise full control over their natural resources and to determine policies relating to their production, pricing and marketing in the best collective interest of their peoples.

They must resist all pressures to adopt policies which are in conflict with the interests of the *Ummah*. Efforts should be made to invest oil surpluses within the Third World to the maximum possible extent.

Money and Finance

There was need for the creation of an Islamic Monetary Fund to provide balance of payments support to Muslim countries. Efforts should be made to promote greater use of national currencies in settling multilateral transactions among Islamic countries through payment arrangements. The objective should be to establish a Muslim World Currency Zone.

Social Security

As Islam firmly enjoins the concept of a community based on equity and justice, the Islamic Solidarity Fund should be further strengthened to extend relief and welfare services in the Muslim world and to promote Islamic Da'wah and to establish a separate *Zakat* account in the Fund to receive *Zakat* contributions from Muslims in a position to do so, to be used for purposes *Zakat* is intended for. It is hoped that ultimately an independent *Zakat* Fund would be established to receive and disburse *Zakat* so as to promote social welfare all over the Muslim world.

Trade

The trade within the Muslim world was limited at present. The formation of a Common Market of all Muslim countries should be the aim. A special experts group should be constituted to propose steps by means of which the processes of economic integration might be speeded up.

Institutional Framework

The Conference, in its analysis of the institutional framework existing, and visualised, in the Muslim world, found that many institutions had already been created for cooperation among Muslim states. It was necessary to evolve methods of improving coordination amongst them and of making them more effective. New institutions should be created to cover specific areas where existing institutions are found inadequate.

The Conference was firmly of the view that the decisive factor in the implementation of these recommendations was the collective political will of the Muslim nations. The people in the Muslim world were dedicated to Islamic ideals and looked forward to the early fulfilment of their aspirations. It was the solemn duty of the governments in Muslim countries to act positively and constructively, according to the mandate of trust under which they held their present positions, and to respond to the hopes and wishes of the people to establish a peaceful and equitable Islamic Economic Order in the Muslim countries, to serve as a model for the salvation of mankind.

APPENDIX I

List of Participants

AFGHANISTAN

Mujjadeddi, Shaikh S
Nadiri, Dr Mohammed Ishaq
Ulfat, Dr

ALGERIA

Benyoucef, Mohammed

AUSTRIA

Balic, Dr Smail

BANGLADESH

Huda, Dr N M
Khan, Dr Azizur Rahman
Zaman, Dr Ashraf Uz

COMOROS

Abdullah, Shaikh Omar

EGYPT

Abdel Aal, Hamid
Abdou, Dr Isa
Al Najjar, Dr Ahmad Mohammed
Abdel Aziz
Azzam Mahfouz
Azzam, Saad
Badawi, Dr Mohamed Abdel Khair Zaki
El Banna, Dr Abdel Moneim
Eldin, Rashad Najm
El Gabaly, Prof Mustafa
El Gammal, Dr Gharib Mohamed
El Kachashy, Dr Syed

El Shafei Prof Abdel Moneim Nasser
 Hegazy, H E Dr Abdulaziz Mohamed
 Heiba, Dr Ahmed Abd Elsalam
 Hilal, HE Dr Ahmad Ezzedin
 Loutfi, Dr Ebrahim
 Mahmoud, H E Shaikh Abdul Haleem
 Marci, Omer
 Mehdi, Mahmoud
 Muntasir, Salah
 Sharawi, H E Shaikh Mutawali
 Noor, Mustafa Abu
 Qutb, Prof Muhammad
 Rahman, Dr Ibrahim Helmi Abdel
 Sabri, H E Ibrahim
 Shawi, Dr Tawfiq

HOLLAND

Bommel, A W Von
 Syed, Anwar

INDIA

Siddiqi, Prof Mohammad Nejatullah

INDONESIA

Prawiranegara, H E Syafruddin

IRAN

Yeganeh, H E Mohammed

IRAQ

Al Saqban, Dr Abdul Aal

ITALY

Sabri, Dr Mohamed Ali

JORDAN

Humud, Dr Sami
 Zarqa, Dr Anas

LIBYA

Aneizi, Dr A N
 Attiga, Dr Ali Ahmed
 Finaish, Dr Mohamed

MALAYSIA

Ayub, Datuk Arshad
 Habshi, Syed Otman

MOROCCO

Benaboud, Dr Mehdi
 Zuheri, H E Kacem

PALESTINE

Al Dajani, Dr Burhan
 Jarrar, Azmi

PAKISTAN

Ahmad, Prof Khurshid
 Ahmad, Dr Ziauddin
 Ali, Muazzam
 Aziz, Sartaj
 Durrani, Shakirullah
 Gauhar, Altaf
 Gokal, Mustafa G
 Haq, Dr Mahbub Ul
 Hassan, Ibn
 Husain, Syed Shahid
 Iqbal, Zafar
 Ishaque, Khalid M
 Islam, H E Zafarul
 Murad, K

PORTUGAL

Vakil, Dr Abdul Majid A Karim

SAUDI ARABIA

Abusuleiman, Dr Abdul Hamid
 Ali, Dr Ahmad Mohamed
 Amin, Mohamed
 Angawi, Sami
 Balakhy, Dr Hassan
 Ghazi, Abdullah
 Nasseef, Dr Abdullah Omar
 Nazer, H E Hisham
 Saleem, H E Suleiman
 Shaikh, Essam Abid
 Zubeir, H E Mohammed Omar

SUDAN

Saleh, Ahmed El Tijani

SYRIA

Kahf, Dr Monzer

TURKEY

Ansay, E.

Kenan, Akin

Ozal, H E Prof Korkut

Yalcintas, Prof Nevzat

Zaim, Dr Sabahaddin

UNITED KINGDOM

Judd M P, Frank

Mackintosh, Anthony R K

UNITED NATIONS

Djermakoye, Issoufou

WEST GERMANY

Gariani, El Hadi

YUGOSLAVIA

Jusufspahic, Mufti Hadi F

Smailovic, Dr Ahmed

APPENDIX II

List of Participants from Institutions Represented at the Conference

Al Azhar University, Cairo

H E Sheikh Abdul Haleem Mahmoud, Grand Imam and Rector

Central Bank of Egypt

Dr Abdel Moneim El Banna, Deputy Governor

Council of Arab Economic Unity, Cairo

Dr Abdul Aal Al-Saqban

Foreign and Commonwealth Office U.K.

Mr Frank Ashcroft Judd M.P., Minister of State

International Labour Organisation, Geneva

Dr Azizur Rahman Khan, Economist

International Monetary Fund

Dr Mohamed Finaish, Alternate Executive Director

Islamic Development Bank, Jeddah

H E Dr Ahmad Mohamed Ali, President

Dr Ahmed Abd Elsalam Heiba, Agricultural Consultant

King Abdulaziz University, Jeddah & Mecca

H E Dr Mohammed Omar Zubeir, President

Dr Abdullah Omar Nasseef, Vice President

Prof Muhammad Qutb

Dr Ahmad Mohammed Abdel Aziz Al-Najjar

Dr Hassan Balakhy

Dr Tawfiq Shawi

Mr Essam Abid Shaikh

Mr Mohamed Amin

Dr M A Z Badawi

Dr Anas Zarqa
Mr Abdullah Ghazi

Organisation of Arab Petroleum Exporting Countries

Dr Ali Ahmed Attiga, Secretary General
Mr Azmi Jarrar

Organisation of the Islamic Conference, Jeddah

H E Zafarul Islam
H E Kacem Zuheri
Dr Gharib Mohamed El-Gammal
Dr Ashraf Uz Zaman
Mr E Ansay

State Bank of Pakistan

Dr Ziauddin Ahmad, Economic Advisor

Union of Arab Chambers of Commerce

Dr Burhan Al Dajani, Secretary General

United Nations

Mr Issoufou Djermakoye, Under-Secretary General

World Assembly of Muslim Youth, Riyadh

Dr Abdul Hamid Abusuleiman, Secretary General

World Bank

Mr Syed Shahid Husain, Vice President
Dr Mahbub Ul Haq, Director, Policy Planning & Programme
Review Dept

World Food Council, Rome

Mr Sartaj Aziz, Deputy Director

APPENDIX III

Islam and the Changing World Economic Order: Contemporary Muslim Thinking

Some idea can be had about contemporary Muslim thinking on the changing world economic order by a perusal of statements from Islamic Summits and of statements and Committee reports produced by the Conference of Islamic Foreign Ministers. The Conference of Islamic Foreign Ministers is the highest political organisation of the Muslim states and has its permanent secretariat at Jeddah, known as the Islamic Secretariat. We reproduce below some relevant passages from its major policy documents throwing light on Muslim attitudes towards the new world economic order.

I

Declaration of the Islamic Summit held at Rabat, 22nd–25th September, 1969.

Convinced that their common creed constitutes a powerful factor in bringing their peoples closer together and fostering understanding between them.

Resolve to preserve the spiritual, moral and socio-economic values of Islam which remain one of the essential factors for the achievement of progress by mankind.

Affirmation of their unshakable faith in the precepts of Islam which proclaim the equality of rights among all men.

II

Declaration of the Second Islamic Summit held at Lahore, 22nd–24th February, 1974.

The Kings, Heads of States and Governments and the Representatives of the Islamic countries and Organisations proclaimed:

1. The conviction that their common Faith is an indissoluble bond between their peoples; that the solidarity of the Islamic peoples is based not

on hostility towards any other human community nor on distinctions of race and culture, but on the positive and eternal precepts of the equality, fraternity and dignity of man, freedom from discrimination and exploitation and struggle against oppression and injustice;

2. Their identification with the joint struggle of the peoples of Asia, Africa and Latin America for social and economic progress and prosperity of all nations of the world;

3. Their desire that their endeavours in promoting world peace based on freedom and social justice will be imbued with the spirit of amicability and cooperation with other Faiths, in accordance with the tenets of Islam;

4. Their determination to preserve and promote solidarity among Muslim Countries, to respect each other's independence and territorial integrity, to refrain from interference in each other's internal affairs, to resolve their differences through peaceful means in a fraternal spirit and, wherever possible, to utilise the mediatory influence or good offices of fraternal Muslim State or States for such resolution.

Having considered the world economic situation and in particular that obtaining in the Islamic countries in the light of the addresses made by the Heads of States and Governments and specially those made by the President of the Summit Conference, the President of Algeria and the President of Libya and realising the need for

i. eradication of poverty, disease and ignorance from the Islamic countries;

ii. ending exploitation of developing countries by the developed countries;

iii. regulating the terms of trade between developed countries and developing countries in the matters of supply of raw materials and import of manufactured goods and know-how;

iv. ensuring the sovereignty and full control of the developing countries over their natural resources;

v. mitigating current economic difficulties of the developing countries due to recent increase in prices;

vi. mutual economic cooperation and solidarity among Muslim countries.

They decided to establish a Committee consisting of the representatives and experts of Algeria, Egypt, Kuwait, Libya, Pakistan, Saudi Arabia, Senegal and United Arab Emirates with powers to co-opt other interested Muslim countries, for devising ways and means for the attainment of the above objectives and for the welfare of the peoples of the member

countries. They directed that the Committee should commence its work immediately and submit its proposals to the next Conference of Foreign Ministers for immediate consideration and action.

III

Resolution adopted by the Second Islamic Summit Conference on February 24, 1974.

Having regard to the objectives and principles of the Charter of the Islamic Conference and in particular their common goal: "To consolidate cooperation among member states in the economic, social, cultural, scientific and other vital fields of objectives, and to carry out consultations among member states in international organisations".

Considering that the Islamic countries are part of the community of developing countries,

Considering further the determination of the Muslim States to work towards their liberation and that of other countries of the Third World from the inequities governing international relations aimed at perpetuating the exploitation of the resources of these countries to the benefit of the developed countries,

Given the absence of political will on behalf of the developed countries to implement measures which behove upon them to put an end to this intolerable situation,

Declares that it is necessary for Islamic countries to resort first and foremost to the mobilisation and to the revalorisation of their national resources, to ensure the economic and social welfare of their people,

Decides that the Member States of the Conference will extend to one another their support and solidarity in their respective national endeavours aimed at securing the mobilisation of their resources for development purposes,

Calls upon all developing countries to unite their efforts in order to establish new international economic relations which would be more equitable and more balanced,

Approves the convening of an extraordinary session of the General Assembly of the U.N. devoted to the problems of economic development, with a view to establishing a new framework of relations based on equality and on the common interest of all States,

Recommends to Member States of the Conference to intensify their efforts at this extraordinary meeting of the General Assembly and within other international forums to reinforce and consolidate the present trend towards securing national control over natural resources of developing countries and towards their revalorisation,

Recommends to all the countries of the Third World to beware of manoeuvres aimed at dividing the developing countries in exploitation of their resources.

IV

Declaration of the Fifth Islamic Conference of Foreign Ministers meeting in Kuala Lumpur, Malaysia, from 21st to 25th June, 1974.

Recalling the Declaration of Lahore adopted by the 2nd Islamic Summit charging the representatives of Islamic countries at the United Nations and international organisations to consult each other with a view to adopting joint and agreed positions:

Keeping in mind the fact that the 6th Extraordinary Session of the United Nations' General Assembly constituted a great success which illustrated the solidarity of the Islamic world and the Third World:

1. Congratulates President Houari Boumedienne of Algeria for his initiative to convoke the Extraordinary Session of the United Nations General Assembly on raw materials and development;

2. Endorses the Declaration and Action Programme for the establishment of a new international economic order by the United Nations' General Assembly, at its Sixth Extraordinary Session held in New York;

3. Requests all member states to play an active role in the implementation of the above-mentioned Declaration and Action Programme and to continue to cooperate actively in all the relevant international forums for this purpose;

4. Urgently requests the developed countries to assume their responsibilities, in conformity with the above-mentioned resolutions with the aim of contributing to the promotion of a new international economic order which will be just and equitable to all nations and usher prosperity and justice for all humanity;

5. Requests the Secretary General to take all necessary measures for following up the questions related to the implementation of the resolutions adopted by the 6th Extraordinary Session of the United Nations' General Assembly.

Resolutions adopted by the Fifth Islamic Conference of Foreign Ministers following consideration by them of the Report of the Committee of Representatives and Experts (IS/CM/KL/D. 27):

Resolution: Concerning the problems of poverty, ignorance and diseases in Islamic countries.

Noting the need for a greater awareness and knowledge of the social and economic characteristics of the Muslim countries and recognising the inadequacy of the data so far available;

1. Calls upon the Member States, upon request by the Secretariat, to provide all available data, publications and studies on the problems of poverty, ignorance and diseases as early as possible;

2. Requests the Secretariat to organise the collection and classification in a standardised form of such information and to circulate it to Member States;

3. Decides to strengthen the Secretariat for that purpose;

4. Urges Member States to take remedial actions at national and collective levels, bearing in mind the need for financial and technical assistance through mutual cooperation.

Resolution: Concerning exploitation of the developing countries by the developed ones and securing the sovereignty and control of developing countries over their natural resources.

Recognising that because of the present world economic order Muslim countries, along with the rest of the developing world, are still subjected to exploitation by the developed countries and noting the principal means of such exploitation:

1. Urges the Member States:

- i. To undertake wherever feasible and to the extent possible, in cooperation with other developing countries, steps such as the setting up of producers' associations or other similar arrangements and buffer stocks, in order to secure fair and remunerative prices for their exports;

- ii. To consider cooperation, in their negotiations with developed countries, to obtain greater access to the markets of the latter, inter alia, by seeking the elimination of discriminatory tariff and non-tariff barriers;

- iii. To continue to pursue, together with other developing countries, the adoption of an international code of conduct to regulate the transfer of technology;

- iv. To follow a coordinated policy towards reform of the international monetary system, being guided by the following objectives:

- a. to guarantee the real value of their currency reserves;

- b. to increase the net transfer of real resources from the developed to the developing countries;

- c. To divert a sizeable proportion of current international liquidity to the developing countries, and;

- d. to ensure the effective participation by developing countries in international financial and monetary decision-making processes.

2. Suggests for consideration of the Member States:

i. The taking of certain institutional measures, such as the establishment of a technology bank, science foundation and technological assistance arrangements, to build up an indigenous, scientific and technological expertise in order to reduce their dependence on the developed countries;

ii. Joint action with other developing countries in contributing to regulating the role and activities of multinational corporations by standardising the terms of participation by multinational corporations, and to seeking means for enforcing compliance with such terms;

iii. The reduction in invisible payments, such as for freight and insurance, by the establishment by all or by any group of them, of joint insurance facilities, joint shipping lines and joint tanker fleets.

3. Decides to refer the question of foreign exchange resources of Muslim countries in the world financial markets and institutions to their respective governments for study in order to establish, in due course of time, financial and money markets for their mutual interest.

Resolution: Concerning economic cooperation and solidarity among Islamic countries.

Recognising the benefits of making the best use of their combined resources – human, material and financial – to accelerate the development of all the Muslim countries,

Convinced of the need, in addition to the pursuit of a joint strategy in their economic relations with the advanced countries in order to eliminate the external constraints upon their economic and social development, for cooperation in the fields of trade, investment and technical assistance:

1. Notes with satisfaction the progress made in regard to the establishment of the Islamic Development Bank and the Islamic Solidarity Fund and places on record its appreciation of the valuable efforts made by H. E. Tunku Abdul Rahman in the establishment of the Bank;

2. Requests the Secretariat to regulate the collection and dissemination of data to Member States on trade, covering the economic structures of the individual Islamic countries, the composition and direction of their foreign trade, the tariff structure, trade regulations and other matters concerning insurances, shipping and financing facilities;

3. Recommends that Member Countries take immediate steps to promote and activate bilateral trade with each other;

4. Recommends for consideration the setting up of a system of preferential tariffs in consequence with the principles of the General Agreement on Tariffs and Trade (GATT) or with any science of the

Generalised System of Preferences;

5. Recommends for consideration the encouragement of:

a. Joint ventures or location of investment units of different industries in Islamic countries;

b. Investment by individual Muslim countries in other Muslim countries and the relaxation of controls, subject to balance of payments considerations, on the movement of investment capital, conclusion of agreements on the avoidance of double taxation, guarantees for remittances of profits of such investment and adequate safeguards for all investments in accordance with the agreements entered into by the parties concerned.

6. Recommends that studies be initiated on the establishment of an Economic and Technical Cooperation Scheme to provide technical assistance to Muslim countries that require it in planning implementation of their development programmes.

V

Excerpts from the Report of the Committee of Representatives and Experts submitted to the Islamic Foreign Ministers Conference, 1974.

First – Concerning the problem of poverty, ignorance and diseases in Islamic countries.

The Committee considered that the information supplied to it thus far was inadequate and accordingly recommends:

Recommendation One

i. Member States shall upon request by the Secretariat provide all available data, publications and studies on these problems as early as possible.

ii. The Secretariat shall organise the collection and classification in a standardised form of such information and circulate it to Member States.

iii. To this end the Secretariat should be strengthened.

iv. To eradicate these problems, remedial actions should be taken up at national and collective levels among Member States. For this purpose financial and technical assistance is needed through mutual cooperation, which is dealt with in other sections of this report.

Second – Concerning exploitation of the developing countries by the developed ones and securing the sovereignty and control of developing countries over their natural resources.

Despite the political independence attained by the Muslim countries,

and despite the success achieved by some such countries along the road to economic independence, some of them are still subjected to exploitation by the developed countries. There is, in effect, an unceasing transfer of resources from the developing countries, including the Muslim world, to the industrialised nations.

The principal means of such exploitation and the remedial measures are outlined below:

Terms of Trade

The prices of raw materials and manufactures of developing countries are unfavourably depressed through:

- a. competition between producers and
- b. the existence of monopolies, cartels and unfair trade practices of the buyers from developed countries.

On the other hand the prices of imports from developed countries continue to increase steeply as a result of inflation in these countries and the dependence of the Muslim countries on such imports.

Recommendation Two

The Committee accordingly recommends that:

- i. the Muslim countries, in cooperation with other developing countries, should undertake steps to ensure fair and remunerative prices for their exports. To this end they could, wherever feasible and to the extent possible, set up producers' associations for various commodities and set up buffer stocks to ensure the maintenance of remunerative prices for their exports.
- ii. the Muslim countries could cooperate in their continuing negotiations with the developed countries to obtain greater access to the markets of the latter, inter alia, by seeking the elimination of discriminatory tariff and non-tariff barriers against the developing countries.

Cost of Technology

At present, the Muslim countries in common with other developing countries, are obliged to import almost all their technology from the developed countries. There is sufficient evidence to indicate that the cost of this technology is very high, in some cases, as much as 15% of the total export earnings of individual countries. The Muslim countries are also at a great disadvantage in negotiating reasonable terms for the transfer of technology because of their weak scientific and technological base.

Recommendation Three

In view of this the Committee recommends that:

- i. The Muslim countries could take certain institutional measures, for

example, the establishment of a technology bank, science foundation and technological assistance arrangements, to build up an indigenous, scientific and technological expertise in order to reduce their dependence on the developed countries.

- ii. The Muslim countries, together with other developing countries, should continue to pursue the adoption of an international code of conduct to regulate the transfer of technology.

Multinational Corporations

The exact extent of the economic exploitation of the Muslim countries by multinational corporations, its social impact and political implications are only broadly known. It is clear, however, that the role of large multinational corporations needs to be regulated through some international mechanism.

Recommendation Four

The Committee accordingly recommends the Muslim countries, acting jointly with other developing countries, can contribute to regulating the role and activities of multinational corporations by standardising, for example through UNCTAD, the terms of participation by multinational corporations, and to seeking means for enforcing compliance with such terms.

Invisible Payments Including Freight and Insurance

The developed countries have a virtual monopoly of the means of ocean and air transport. Also international financial practices such as clearance of money transactions, insurance and reinsurance schemes, fixation of freight rates, are all controlled by and worked in favour of the developed countries.

Recommendation Five

The Committee accordingly recommends the Muslim countries, or any group amongst them, could consider reduction in these costs by, inter alia, the establishment of joint insurance facilities, joint shipping lines and joint tanker fleets.

The International Monetary System

The International Monetary System is one of the most important means for the exploitation of developing countries. The Muslim countries, just as other developing countries, play a minimal role in the world money and capital markets and have little say in the decisions which continue to affect their financial stability and trade prospects.

Recommendation Six

The Committee recommends the Muslim countries should follow a co-ordinated policy towards a reform of the international monetary system. They can play an effective role in this because some of them, by virtue of their huge financial resources, are now in a position to play an effective role in determining the structure of the world financial and monetary arrangements. In devising these arrangements they should be guided by the following objectives:

- a. guarantee the real value of their currency reserves,
- b. increase the net transfer of real resources from the developed to the developing countries,
- c. divert a sizeable proportion of current international liquidity to the developing countries, and
- d. ensure the effective participation by developing countries in international financial and monetary decision-making processes.

Recommendation Seven

The Committee, having examined the issue of foreign exchange reserves of Muslim countries in the world financial markets and institutions, recommends to the Foreign Ministers to consider this question and refer it, if they wish to do so, to their respective governments for study in order to establish, in due course of time, financial and money markets for their mutual interests.

Third – Alleviating the economic difficulties presently encountered by the developing countries due to the latest rise in prices.

Since alleviating the economic difficulties faced by the Islamic countries constitutes “a priority of Islamic obligation”, it was natural that the Declaration of the Second Islamic Summit at Lahore included the “commitment to mitigate these hardships”. The realisation of this task must take into consideration the following:

- i. It must be proportional to the degree of hardship incurred by the member countries.
- ii. Full coordination must be established between the alleviation directed to Islamic countries through the Islamic Conference, and that directed to the countries of the Third World through other international organisations, in order to ensure the unification and harmony of these efforts.

The steep rise in prices of basic imports such as foodstuffs, chemical fertilisers, fuels, capital goods, equipment and services, including transportation and transit costs, has had harmful consequences for the terms of trade of a number of developing countries – among which are some of the Islamic countries. It is estimated that this has created an additional net

balance of payments gap of about US\$1 billion per annum for the affected Islamic countries. To this must be added the burden of foreign debt. The cumulative effect is to create a situation in which it becomes impossible for these countries – unless we remedy it – to finance their basic import requirements and development projects. The inevitable result would be a deterioration in the conditions and standards of living in these countries.

Certain measures have already been initiated to provide relief to the affected Muslim countries by other Muslim countries with surplus revenues. Some of these countries have entered into bilateral arrangements, others have set up new institutions, some are participating in multilateral efforts and others have accelerated their existing programme of assistance.

At the international level, the Sixth Special Session of the United Nations General Assembly, held at the request of President Boumédiène of Algeria, envisages the establishment of a Special Fund to assist the hardest-hit countries. The international Monetary Fund has created a “special oil facility” to provide balance of payments support to affected countries.

After allowing for all these bilateral, regional and international arrangements, it is most likely that there would remain a residual hardcore of resource gap for some of the Muslim countries particularly those which are most disadvantaged. This is likely to be in the range of a few hundred million dollars. One of the measures of this difficulty would be to arrange to transfer resources through the creation of an Islamic Fund for Economic Adjustments.

The proposed Fund would come to the assistance of any Islamic country which finds itself incapable of financing its imports of basic goods through existing bilateral and multilateral channels.

Since the countries that require such emergency assistance fall in the lowest category of per capita income, the aid provided by the proposed Fund must take the form of a grant or should be under easy conditions (interest-free and long-term) or both.

In order to extend such emergency assistance, the Fund will have to continue collecting and following up information related to the financial situation and balance of payments of Member States.

Recommendation Eight

The Committee, guided by the objective of the Lahore Declaration, in particular that of alleviating the economic difficulties presently encountered by certain Islamic countries due to the latest rise in prices, is of the opinion that the Foreign Ministers at their Fifth Islamic Conference may consider the establishment of an “Islamic Fund for Economic

Adjustments" which will extend assistance to the Islamic countries unable to finance their imports of necessary goods through existing bilateral and multilateral arrangements. The Foreign Ministers may wish to refer this proposal to their respective governments for taking a final decision taking into consideration the importance and the urgent character of the matter.

VI

Resolution of the Sixth Islamic Conference of Foreign Ministers held in Jeddah from July 12-15, 1975.

Considering that the best means to overcome the exploitation of the economies of the developing countries by the developed countries and assume control over their own natural resources is by further strengthening their political solidarity and economic cooperation,

Recognising the need for such solidarity and cooperation specially at a time when certain Islamic countries face pressures aimed against their sovereign rights over their natural resources, guaranteed by the U.N. Charter,

Reiterating their faith in a dialogue inspired by a spirit of cooperation between developing and developed countries to solve their outstanding problems and condemning the attitudes of confrontation,

1. Recommends that Member States adopt a common front against any pressure to which any Islamic country may be exposed in its efforts to safeguard its sovereignty control over its natural resources;

2. Rejects all threats or trends to impose restrictions on the export or import of foodstuffs, commodities and processed goods to and from the Islamic countries,

3. Declares the readiness of the Islamic countries to engage in a constructive dialogue with the developed countries which should deal with the problems of development and interrelated issues in a comprehensive and integrated manner, and be designed to bring about a new and equitable international economic order, that would be consistent with the Declaration and Programme of Action announced by the Sixth Special Session of the U.N. General Assembly,

4. Urges Member States to adopt a common and coordinated stand in the course of this dialogue so that the interests of all are equally ensured,

5. Recognises that the Islamic countries can promote their economic independence from the industrialised countries through greater mutual cooperation in the fields of trade, investment, financial and technical co-operation and to this end,

a. Recommends that the Committee of the Economic Representatives

and Experts should examine and submit its recommendations to the Seventh Conference of Foreign Ministers, on the basis of studies available to it, on the following methods:

i. Arrangements to secure fair and remunerative prices for the exports of the Islamic countries.

ii. Defining the commodities and goods of exports and imports of special interest to Islamic countries.

iii. The requirements and possibilities of technical assistance to the Islamic countries.

iv. Measures to create an Islamic Monetary Area.

v. Common measures which can be taken by the Islamic countries in respect of the fluctuations in the international monetary system for the protection of the interests of the Islamic world in international transactions.

vi. An integral programme to make up for food deficiencies, expand the production of foodstuffs, improve nutrition standards, and to promote rural development in the Member States.

vii. Mutual cooperation in the face of natural disasters.

b. Recommends that the Islamic countries encourage mutual investment and transfer of capital in projects designed to achieve economic interdependence between them,

c. Recommends Member States or groups among them to encourage the creation of joint corporations in the fields of maritime and air transport, etc., which could be implemented through bilateral or multilateral agreements, in the light of their economic interests and the existing technical capabilities for their implementation.

6. Recommends Member States to promote the maximum utilisation of their natural resources and factors of production specially aimed to boost the processing of their natural resources, so as to develop local potential at the human, administrative and technical levels in order to assume full management of the projects.

7. Calls upon the Committee of the Economic Representatives and Experts to study the legal aspects related to multi-national corporations with a view to regulating their operations in Islamic countries and the importance of having the nationals of these countries participate and trained in such projects.

Notes

Chapter 6 pages 35-43

1. Al-Qur'an XVIII: 10
2. Al-Qur'an LV: 7
3. Al-Qur'an XXVIII: 77
4. Al-Qur'an XXVIII: 77
5. Al-Qur'an II: 30
6. Al-Qur'an II: 168
7. Al-Qur'an XXIII: 51
8. Al-Qur'an II: 172
9. Al-Qur'an IX: 103
10. Al-Qur'an II: 272
11. Al-Qur'an II: 261
12. Al-Qur'an XCII: 14-21
13. Al-Qur'an II: 262
14. Al-Qur'an LVII: 7
15. Al-Qur'an III: 180
16. Al-Qur'an LIX: 9
17. Al-Qur'an LI: 19
18. Al-Qur'an XCII: 21
19. Al-Qur'an II: 263
20. Al-Qur'an IX: 111
21. Al-Qur'an XXVIII: 78
22. Al-Qur'an XXVIII: 78
23. Al-Qur'an XXVIII: 80
24. Al-Qur'an XXVIII: 81
25. Al-Qur'an XXVIII: 82
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21. *Ibid.*

22. *Ibid.* p. 2.
23. *Ibid.*
24. *Ibid.*
25. It is interesting how the word "transfer" is used to suggest that LDCs want to have something which does not belong to them, viz., political power as sovereign states, or wealth in terms of control over their own resources!
26. *Ibid.* p. 2.
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42. *Ibid.*
43. *Ibid.*
44. *Ibid.* p. 7.
45. *Ibid.* p. 8.
46. *Ibid.* p. 9.
47. *Ibid.*
48. *Ibid.* p. 10.
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 - (ii) "The people were one nation". *The Koran Interpreted*. Arthur J Arberry. OUP. 1964, p. 28.
 - (iii) "Mankind was but one people". *The Koran*. J M Rodwell. Everyman Library. 1971, p. 210.
 - (iv) "All mankind were once one single community". *The*

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50. *Ibid.* p. 14.
51. *Bukhari Kitab ul Hudud*. Chs. 11 and 12.
52. *Social Justice in Islam*. Sayyid Qutb. Urdu translation, p. 135.
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55. *Caliphs and Kings*. Syed Abul A'la Maududi, p. 212.
56. *Social Justice in Islam*. Sayyid Qutb. Urdu translation, pp. 164-6.
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58. *Ibid.* p. 120.

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2. See Al-Qur'an XVI: 90
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4. See Al-Qur'an XVII: 70
5. See Al-Qur'an XXXI: 20
6. See Al-Qur'an VIII: 75
7. See Al-Qur'an LXI: 19
8. See Al-Qur'an II: 279
9. See Al-Qur'an XL: 15
10. See Al-Qur'an XVI: 90
11. See Al-Qur'an V: 55
12. See Al-Qur'an XLVIII: 10
13. See Al-Qur'an IV: 65
14. See Al-Qur'an IV: 75
15. See Al-Qur'an V: 8, 105
16. See Al-Qur'an IV: 75 and LI: 19
17. See Al-Qur'an IV: 58-59
18. See Al-Qur'an LXII: 10
19. See Al-Qur'an LXXXIII: 20
20. See Al-Qur'an IV: 77
21. See Al-Qur'an XXIV: 60 and VII: 31
22. See Al-Qur'an XVI: 114, XXIX: 17 and II: 172
23. See Al-Qur'an XIV: 7
24. See Al-Qur'an XVII: 26-27
25. See Al-Qur'an XXVIII: 72
26. See Al-Qur'an XXIV: 8
27. See Al-Qur'an IV: 32

28. See Al-Qur'an CIV: 23
29. See Al-Qur'an XXVIII: 77
30. See Al-Qur'an XXVIII: 79
31. See Al-Qur'an XXVIII: 81-83
32. See Al-Qur'an XXVIII: 77 and CIV: 2
33. See Al-Qur'an IX: 111
34. See Al-Qur'an VIII: 72
35. See Al-Qur'an IX: 91-93
36. See Al-Qur'an XXX: 39
37. See Al-Qur'an V: 90
38. See Al-Qur'an III: 130
39. See Al-Qur'an II: 275
40. See Al-Qur'an IV: 16
41. See Al-Qur'an IX: 34
42. See Al-Qur'an XVII: 29
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47. See Al-Qur'an II: 280
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53. See Al-Qur'an LIII: 32
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55. See Al-Qur'an LIII: 39
56. See Al-Qur'an XVII: 18-22
57. See Al-Qur'an XLIII: 32
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4. Al-Qur'an LIII: 39-42
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6. Al-Qur'an X: 13-14
7. Al-Qur'an III: 104-5
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Order is threatened with disintegration not because some specific part of it has weakened and given way, nor because some disorderly group is bent upon destroying it, but because the system is characterised by injustice and exploitation of the many by the few. Such a system can last only as long as those on whose exploitation it thrives are incapable of challenging it. It is a divine law evidenced in history that an unjust system cannot hold the ground forever. After a certain spell during which its supremacy seems everlasting, cracks begin to appear in its foundations and the forces of change sweep it into the dustbin of history, sometimes gradually and sometimes through a sudden collapse. One may further add that the prospects of catastrophe become more imminent when the possibilities of negotiated change are denied by the defenders of the old order.

It is our duty to present before the world a new vision of man and society — of a new order in which man could re-discover the true meaning of human greatness and build a society where justice and equity are assured for all. Let me make it clear that this vision is very different from the reality of contemporary Muslim life. We invite mankind to examine the Islamic ideology as it is expounded in the Qur'an and *Sunnah* and see if it can establish the order of which man has been dreaming. We also invite the Muslims to critically examine their own lifestyles, individual as well as collective, and to make a serious and dedicated effort to change the system so as to fully and totally conform to Islamic ideals and norms. Then only would we be able to present before the world a model of the Islamic order that would give a vision that can inspire the soul of man and prompt him to achieve new heights of progress and greatness.'

